



# 58

## CONSECUTIVE PROFITABLE QUARTERS IS NO COINCIDENCE.

So what is it that gives us the edge? **STRAIGHTFORWARD BUSINESS PRACTICES... STRONG LEADERSHIP... COMPETITIVE PRODUCTS?** Well, those are the basics. But all that just gets you into the game. To achieve a string of 58 winning quarters, you need something extra: A not-so secret weapon... Powerful, in the way that common sense sometimes hits you out of the blue, but hardly secret... It's the people on our team, **WESTERN PEOPLE** - staff and clients - who **GIVE US THE EDGE...** the **THINK WESTERN** edge. Sound familiar? It's the same tune we've been singing for years... and it still rings true...

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## FIVE YEAR FINANCIAL SUMMARY

(\$ thousands, except per share amounts)

	2002	2001	2000	1999	1998
<b>Results of Operations (teb)<sup>(1)</sup></b>					
Total interest income	\$ 210,904	\$ 233,893	\$ 210,282	\$ 177,013	\$ 157,966
Net interest income	91,284	85,501	73,367	61,729	55,751
Provision for credit losses	7,740	6,096	5,100	3,750	4,150
Other income	22,136	19,758	15,255	13,017	12,165
Net income before taxes	48,165	46,582	35,435	26,270	22,574
Provision for income taxes <sup>(2)</sup>	18,553	15,187	5,441	3,516	1,958
Net income from continuing operations	29,612	30,145	29,394	22,754	20,616
Net income from operations <sup>(2)</sup>	29,612	31,395	26,949	19,853	19,012
Net income	29,612	30,145	26,349	19,853	19,012
Return on common shareholders' equity <sup>(2)</sup>	11.2 %	14.0 %	15.0 %	12.8 %	14.0 %
Return on common shareholders' equity	11.2 %	13.5 %	14.7 %	12.8 %	14.0 %
Return on average total assets <sup>(2)</sup>	0.83 %	0.97 %	0.95 %	0.81 %	0.87 %
Return on average total assets	0.83 %	0.93 %	0.93 %	0.81 %	0.87 %
<b>Per Common Share</b>					
Average common shares outstanding (thousands)	12,629	12,001	11,134	10,153	9,421
<b>Basic earnings per share</b>					
Net income from continuing operations	\$ 2.34	\$ 2.51	\$ 2.65	\$ 2.24	\$ 2.19
Net income from operations <sup>(2)</sup>	2.34	2.62	2.42	1.96	2.02
Net income	2.34	2.51	2.37	1.96	2.02
<b>Diluted earnings per share<sup>(3)</sup></b>					
Net income from continuing operations	2.14	2.26	2.41	1.98	1.85
Net income from operations <sup>(2)</sup>	2.14	2.34	2.23	1.76	1.72
Net income	2.14	2.26	2.18	1.76	1.72
Dividends <sup>(4)</sup>	0.40	0.36	0.34	0.48	0.30
Book value	21.97	20.08	17.35	15.68	15.39
<b>Market Price</b>					
High	\$ 29.35	\$ 30.50	\$ 24.00	\$ 24.25	\$ 27.00
Low	23.26	22.30	16.25	17.30	14.75
Close	25.75	26.27	23.00	17.60	17.15
<b>Balance Sheet and Off-Balance Sheet Summary</b>					
Assets	\$ 3,828,162	\$ 3,439,568	\$ 3,059,540	\$ 2,707,595	\$ 2,409,632
Cash resources and securities	533,496	501,228	446,351	375,182	320,405
Loans	3,248,747	2,886,640	2,560,092	2,253,598	1,989,656
Deposits	3,429,071	3,042,307	2,727,809	2,371,075	2,059,545
Debentures	57,126	67,126	67,126	78,691	87,091
Shareholders' equity	278,087	252,262	194,595	159,550	145,268
Assets under administration	1,166,489	873,538	741,181	559,978	453,058
<b>Capital Adequacy</b>					
Tier 1 ratio	8.8 %	9.3 %	8.1 %	7.4 %	7.8 %
Total ratio	11.4 %	12.5 %	11.6 %	11.8 %	11.9 %
<b>Other Information</b>					
Net interest margin	2.60 %	2.69 %	2.64 %	2.57 %	2.58 %
Net impaired loans as a percentage of total loans	0.13 %	0.25 %	0.17 %	0.54 %	0.68 %
Efficiency ratio	50.7 %	50.0 %	54.3 %	59.8 %	60.7 %
Number of full time equivalent staff	583	548	509	555	522
Number of branches	27	27	25	24	23

(1) Most banks analyze revenue on a taxable equivalent basis ("teb") to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the Consolidated Statement of Income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividend received is significantly lower than would apply to a loan or security of the same amount. The taxable equivalent basis includes an adjustment that increases interest income and the provision for income taxes by an amount that adjusts the income on the tax-exempt securities to what income would have been had it been taxed at the statutory rate. Prior to fiscal 2002, tax-exempt security income was insignificant and no taxable equivalent adjustments were made.

(2) These results exclude unusual items related to the write-down of future income tax assets as a result of future tax rate reductions which resulted in additional non-cash tax expense of \$1.25 million in 2001 and \$0.6 million in 2000. Management follows the banking industry practice of performing year-over-year comparisons on net income adjusted to exclude unusual items and on reported net income calculated in accordance with generally accepted accounting principles (GAAP). Readers are cautioned that net income from operations does not have a standardized meaning under GAAP and may not be comparable to similar terms used by other companies.

(3) Diluted earnings per share for years prior to fiscal 2002 have been restated to reflect the required implementation of the new accounting standard on Earnings per Share (treasury stock method). See Note 2 to the Consolidated Financial Statements for further details.

(4) The dividend policy was amended to be semi-annual instead of annual during the third quarter of fiscal 1999. The dividend rate for fiscal 1999 appears unusually high as it includes the last annual dividend of \$0.32 per share paid in the first quarter and the first semi-annual dividend of \$0.16 paid in the third quarter.



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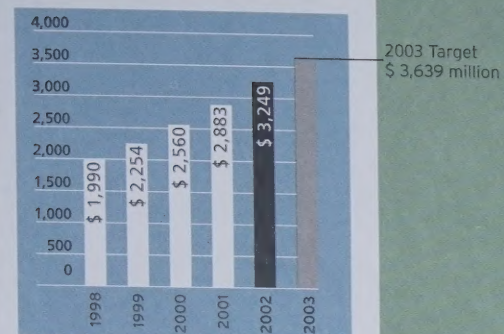
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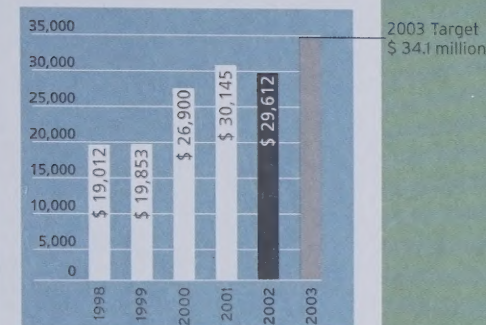
## PERFORMANCE TARGETS



### TOTAL LOANS

2002 Total loans increased to \$3,249 million or 13% year over year almost achieving our target of 14%. Total assets grew 11.3%.

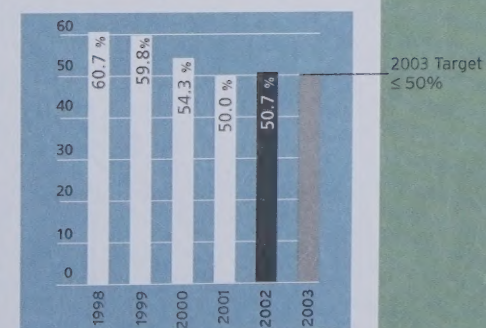
2003 Our target is for total loan growth of 12%.



### NET INCOME

2002 Our target was for growth of 5%. Net income at \$29.6 million decreased 2% from the record \$30.1 million earned in fiscal 2001. Net income before income taxes (teb) increased 3% over fiscal 2001 compared to our target of 12%. We fell short of our targets due to the negative impact of the record low interest rate environment on our net interest margin.

2003 Our target is to grow net income by 15%.



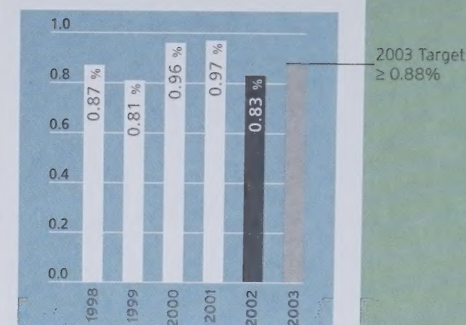
### EFFICIENCY RATIO

(expenses to revenues)

2002 The efficiency ratio (teb) was 50.7%, almost achieving our target of being below 50.0%. Our ratio remains significantly better than the Canadian banking industry average of 66.5%.

2003 Our targeted efficiency ratio is 50.0% or less.

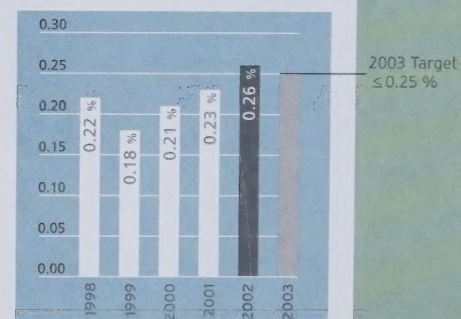
## PERFORMANCE TARGETS



### RETURN ON ASSETS

2002 ROA at 0.83% fell short of our target of maintaining an ROA above 0.90%.

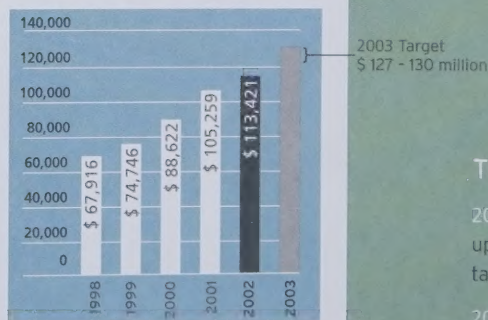
2003 Our target is to achieve an ROA of 0.88% or higher.



### CREDIT RISK

2002 The provision for credit losses as a percentage of average loans was 0.26%, consistent with our goal of being 0.25% or less. Based only on net new specific provisions the ratio was 0.18%.

2003 Our target is to keep this ratio at 0.25% or less.



### TOTAL REVENUES

2002 Total revenues (teb) were \$113.4 million, up almost 8% year over year which surpassed our target of 5% growth.

2003 Our target is for total revenue growth of 12-15%.



## HIGHLIGHTS FOR 2002

### FINANCIAL

- 58<sup>th</sup> consecutive profitable quarter
- double digit loan growth of 13% year over year
- net income before taxes (teb) increased 3% over last year reflecting growth offset by the challenges of record low interest rates which significantly compressed our net interest margin in the first half of the year
- effective tax rate (teb) increased to 39% from 33% last year
- net income of \$29.9 million, a decrease of only 2% from our record high of \$30.1 million last year
- strong credit quality with low net impaired loan formations and the lowest credit losses (based on annual charges to income statement) among Canadian banks at 0.26% of average assets compared to the industry average of approximately 1.06%
- best efficiency ratio (expenses to revenues) in the Canadian banking industry at 50.7%
- lower cost branch-generated deposits grew by 12% with an improved component of demand and notice deposits which grew 23%
- trust assets under administration increased 34% to \$1.2 billion
- strong capital ratios with Tier 1 capital comprised entirely of tangible common equity
- clean balance sheet with no goodwill or intangibles recorded and no special purpose entities

### OPERATING

- opened our 27<sup>th</sup> branch (our 5<sup>th</sup> in Edmonton) in South Edmonton Common in November 2001
- commenced plans to relocate and expand existing branches in Red Deer and Grande Prairie, Alberta to new stand alone premises with our signature Canadian Western Bank design and visibility
- our "Think Western" culture and brand of service has translated into a competitive advantage in our markets
- Canadian Western Trust appointed by Partners in Planning Financial Services Ltd. of Regina, Saskatchewan to assume trustee and back office services for a recently purchased block of self-directed accounts
- mutual fund sales extended to Manitoba and now licensed in all four western provinces
- acquired a loan portfolio from Laurentian Bank comprised of the majority of the mid-market business loan and related deposit accounts of their Vancouver Commercial Banking Centre
- served our communities through corporate donations and sponsorships and through our employees who contribute their time, expertise and funds to organizations that make a difference in their communities
- continued straightforward business practices and strong, effective corporate governance



## MESSAGE TO SHAREHOLDERS

We are pleased to report your Bank delivered solid overall financial results for 2002 and we are proud to have achieved our 58<sup>th</sup> consecutive quarter of profitability. Your Bank has again achieved double digit loan growth while at the same time limiting loan losses to a quarter of the industry average and recording an industry leading efficiency ratio. We achieved near record net earnings in 2002 despite record low interest rates and a doubling of the income tax burden over the last two years from 15% to 39% (taxable equivalent basis ("teb")). Strong loan growth has translated into strong earnings growth as over the past two years the Bank's pretax earnings (teb) have increased by 36%.

Net income for the year ended October 31, 2002 was \$29.6 million, a decrease of 2% from \$30.1 million last year. Diluted earnings per share were \$2.14 compared to \$2.26 in 2001. Net income before the provision for income taxes (teb) increased 3% over 2001. This growth in before tax earnings helped to offset the increase in our effective income tax rate to approximately 39% in fiscal 2002 from 33% last year.

The rapid decline in short-term interest rates which began in the fall of 2001 and continued into fiscal 2002 had a considerable negative effect on growth in net interest income this year. Our typical expectations would be for double digit growth in net interest income year over year but growth was reduced to 7% in fiscal 2002 due to the compression of our net interest margin.

The low interest rate environment presented challenges but our 2002 results demonstrate our ability to successfully execute our business plan. **WE FOCUSED ON OUR FUNDAMENTAL STRENGTHS OF MAINTAINING LOW CREDIT LOSSES, GROWING OUR CORE BUSINESS IN A COST EFFECTIVE MANNER AND DIFFERENTIATING OURSELVES WITH OUR THINK WESTERN BRAND OF SERVICE. WE ALSO CONFIRMED OUR EMPHASIS ON THE IMPORTANCE OF STRONG CORPORATE GOVERNANCE.**



**LOW CREDIT LOSSES** We have over a decade long track record of low credit losses. The charges to the income statement for loan losses have averaged 0.28% of average loans per year over the past ten years. In fiscal 2002 our loan loss provision was 0.26% which compared very favourably with the Canadian banking industry average which was approximately four times higher. Actual loan losses (excluding increases in the general allowance for credit losses) were only 0.18% of average loans in 2002 and have averaged a low 0.21% over the last ten years. Looking forward into 2003, we do not anticipate a significant change in overall credit quality in the markets we serve. Our strong credit discipline ensures we remain well prepared to deal with changes in the underlying economies that affect our customers.

**GROWING OUR CORE BUSINESS IN A COST EFFECTIVE MANNER**

We also have over a decade long record of double digit loan growth. Total loans increased 13% in fiscal 2002 and our annual growth rate over the past ten years averaged 23%. A key factor in our ability to translate asset growth into earnings growth is our low efficiency ratio, which is a measure of what it costs to generate each dollar of revenue. At 50.7%, our ratio continues to be the best in the Canadian banking industry.

In the fourth quarter of 2002 total loans grew 5%, a strong indicator of how our regional focus and niche strategy is being positively accepted by our customers. Our focus continues to be mid-market lending with concentrated coverage in the major population-centers in western Canada. We continue to invest our resources in the western Canadian markets we know best and to build on our experience lending to businesses we understand rather than venturing into new and unknown areas. In 2003, many of the major Canadian banks will be focused on fixing credit problems and directing their strategies towards the American market and a renewed potential for bank mergers. We believe their lack of focus on the domestic market will present additional growth opportunities for us in western Canada through both organic growth and acquisitions. Our strong capital position, with Tier 1 capital comprised entirely of tangible common equity, provides us with the flexibility to act proactively on opportunities as they arise.

We have the capacity to absorb more business into our existing branch infrastructure and in 2003 we will concentrate on developing and growing our existing branches with a

renewed focus on retail operations. The South Edmonton Common branch which opened in November 2001 has had a very successful first year of operations. Plans are well underway to relocate and significantly expand our branches in Grande Prairie and Red Deer, Alberta into new, highly visible premises designed in our stand alone, signature Canadian Western Bank style. We expect the new premises will be ready late in 2003 and with this move the Grande Prairie branch will commence offering our full range of products and services.

Canadian Western Trust continued to expand its operations in 2002 and contributed significantly to the growth of non-interest revenues in the Bank. The trust company provides a diverse range of trust and custodial services to personal financial planners and public and private businesses. Changes in the past year have included an enhanced corporate and group trust business line, the partnering with national record keeping and pension consulting companies and increased market penetration associated with our western based locations. The trust also has developed further strategic partnerships with strong regional players such as Partners in Planning Financial Services of Regina, Saskatchewan who appointed the trust to assume trustee and back office services for a recently purchased block of self-directed accounts.

**THINK WESTERN CULTURE** A key factor to our success and what our customers tell us differentiates us from our competitors is our Think Western culture. Since the inception of the Bank in 1984 we have prided ourselves on our Think Western attitude but it was only recently that we "branded" it. It has provided a tremendous focus for our marketing activities and has renewed employees' commitment to our tradition of western hospitality and specialty service. Thinking Western is a reflection of the personality and style of our organization. It means we apply common sense to the way we do business and respond to customers and to how we set policies internally. We work as a team. We talk face to face with customers - no voice mail - and more importantly we give our clients and employees time to talk while we listen. We want to be the bank of choice for small to mid-size businesses and individual customers in western Canada who want high-touch, personal service. Our track record of strong, steady, profitable growth is proof that providing personalized service to customers is a cost-effective way of growing your business.



Your Bank is successful because it sticks to a time proven business plan. Throughout the year our people did a tremendous job of continuing to do what we do best in providing friendly, practical and common sense service to our customers. Thinking Western challenges each of us to do what's "right" for our customer.

**CORPORATE GOVERNANCE** High profile corporate failures and malfeasance dominated the business news during the last year and raised concerns over the accuracy of published financial information. Canadian Western Bank has in place a strong system of internal controls and a diligent and consistent financial reporting process. Since the inception of the Bank, the Audit Committee and the Board of Directors have reviewed quarterly and annual results prior to their public release and the shareholders' auditors have been closely involved in the financial reporting process with the Audit Committee in their oversight governance role.

Strong and effective corporate governance has always been a priority for us and in fact we believe it is essential to the long-term success of the Bank. Our corporate governance policies are designed to strengthen the ability of the Board to effectively supervise management and enhance long-term shareholder value. The Chairman of the Board is independent of management and three of our committees, the Audit Committee, the Corporate Governance & Human Resources

Committee, and the Conduct Review Committee, are comprised entirely of independent directors. Indeed, our CEO is the only inside director on the Board. The Board adapts the corporate governance policies to meet changing needs and circumstances with the goal of maintaining high standards and promoting ongoing improvement in Board effectiveness.

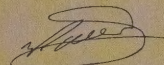
As announced in our third quarter report, the Bank will commence the recognition of compensation expense for stock options granted after October 31, 2002 as encouraged by the new Canadian accounting standard (see pages 29 to 30 of Management's Discussion and Analysis for further analysis of the impact of this change).

**OUTLOOK** Looking into 2003, our objective is to translate our ongoing focus on cost efficiency, successful risk management and a targeted portfolio mix into growth in earnings of at least 15%. Our 2003 performance targets will motivate us to ensure our customers and shareholders are provided with the services and value they have come to expect from your Bank.

We would like to thank all of our employees for their dedication and extra efforts this year and our customers for choosing to bank with us. We trust our shareholders are pleased with the success of our business plan. We are very optimistic about the future and we look forward to reporting to you in 2003 - our 20th anniversary year.



Jack C. Donald  
Chairman



Larry M. Pollock  
President and Chief  
Executive Officer



33

WAYS TO THINK WESTERN  
AND ALL OF THEM WORK FOR YOU.



With the results we continue to produce year after year, it's clear: We're at the top of our game, with the **BEST TEAM IN THE COUNTRY**... not the biggest, the best. And, we're talking the very essence of team here: **HONESTY AND RESPECT**, skill and attitude... Our clients notice. More than that, they play a part... and we play a part on their team... We're all **MOVING TOWARD SIMILAR GOALS**. And... Even though it's a group effort, everyone gets their own voice. Listen to the 33 voices in the following pages and you'll see what we mean... see where **PURELY WESTERN THINKING** gets you.





I've probably known **Russ** for 10 years. He has a pretty good handle on the fishing industry. That gives me confidence... We're growing, even faster this year than I anticipated. But the bank has helped us keep up. For example, we recently found a property in Campbell River for one of our pick-up depots and the very next day Russ was out looking at it... couldn't ask for better service than that.

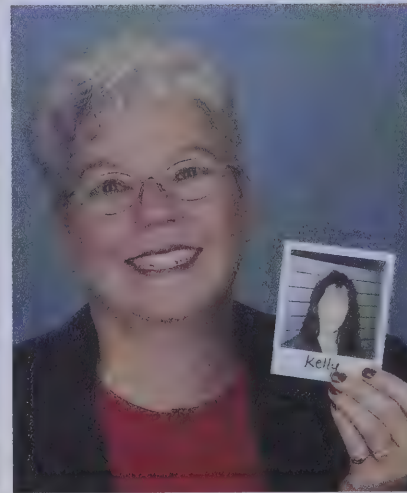
**Gerard St. Jean**  
St. Jean's Cannery, Nanaimo  
1-year CWB Commercial client





Nanaimo Branch







St. Jean's is a typical grassroots, west coast industry... family and fish. The company is firmly rooted in the values established by Gerard's father, hard work and dedication to quality. Gerard has added the innovation required to survive in the modern market place. St. Jean's might be the only cannery that hand packs sport-caught fish for their clients and ships fresh mushrooms around the world. I think it is important to support local industry. In Alberta that often means real estate or oil and gas. Out here it's more diverse. Just ask **Trevor**.

**Russ Burke**, Assistant Vice President and Branch Manager  
Nanaimo Branch, 3-year CWB employee

Even a turkey can fly in a strong wind. Most companies can prosper where the economy is real hot. But our local economy is different; smaller businesses, a lot of owner/operators... survivors... (nice people, and so down-to-earth). In the industrial financing group, we tend to have more clients and do a lot more deals over a given period than the other lending areas. The dollar value is probably similar, but it sure makes a difference in the way we do business...

**Trevor Hartel**, Account Manager, Industrial Lending  
Nanaimo Branch, 5-year CWB employee

We like the branches to run like franchises, instead of cookie-cutter operations. So, we encourage branch staff to do the business that is prevalent in their market. (It's just common sense, but it sure works for us.) Because **Trevor** moved to Nanaimo from our Edmonton Westpoint Branch, he'd really appreciate the difference... I think he likes it out there, but it'd probably be even better if there was more hockey. He's a great athlete... I used to coach him as a kid...

**Larry Pollock**, President and Chief Executive Officer, Corporate Office  
Edmonton, 13-year CWB employee

When **Larry Pollock** visited our branch recently, **Trevor** set up a street hockey match in the parking lot. We had a penalty box, cheerleaders, the works. We always try to have as much fun as possible. And, it's been a great year for fun - and business - our best year for retail banking since CWB came to Nanaimo. We've been concentrating on making good connections... referrals, service groups, even my optometrist...

**Dr. Myrfield's** business was seriously under-served until he met **Elaine**.

**Marvie Scory**, Manager, Personal Lending  
Nanaimo Branch, 1-year CWB employee

We sell all kinds of frames and great lenses, but our product really is peace of mind... I get the same feeling myself when I think of our finances. There are four doctors on staff and all our business banking is handled by **Elaine**. Dr. Kellam and I also have our personal accounts at CWB. Elaine makes it so simple. It was never like this with our other bank...

**Dr. Dave Myrfield**, Optometrist, Vision Arts  
Nanaimo, Ladysmith and Qualicum Beach  
2-year CWB client

My husband is a dentist and knows the orthodontists who share the building with the main office of Vision Arts. Great clients; easy to get along with. And it's easy for me to go out and get great clients when I know I have a team behind me that does an excellent job of the day-to-day stuff. Our frontline is the best... like **Ray Brittain** - he's so imaginative.

**Elaine Duke**, Manager, Personal Banking  
Nanaimo Branch, 7-year CWB employee

I get to be creative in a bank. How novel is that? One of my favourite things is setting up the weekly 'Specialty Service' meetings. We've been playing different types of games lately. It really gets people going. We're like the *Cheers* of banking... we all know your name, we all like to have fun in our own way and the relationships just evolve from there.

**Ray Brittain**, Sales and Service Representative  
Nanaimo Branch, 1-year CWB employee

**Ray's** a hoot... does a great job with the 'Specialty Service' training. Laughing together really makes us feel like a team. And, it doesn't stop at our walls: I do locked-in retirement pension plans and other products only offered by our trust company, so my team also includes people at **CWT** in Vancouver. I really appreciate their efficiency...

**Anita Smith**, Manager, Deposit Services and Mutual Fund Representative  
Nanaimo Branch, 5-year CWB employee

When I'm here, on the 22<sup>nd</sup> floor of a Vancouver office tower, and the client - say **John Malyk** from Partners in Planning - is at the counter in Calgary Chinook branch, teamwork is critical. Branch staff need to feel they can depend on us... ask us anything. So, we do our jobs the best we can; we make ourselves accessible and we laugh. Humour is great for building rapport, it puts people at ease and gets rid of any dividing lines and geographic borders.

**Kelly Chaplin**, Assistant Manager  
Investor Mortgages, Canadian Western Trust  
Vancouver, 10-year CWT employee





I think our fit with the Trust is so good because we have similar philosophies and cultures. There's not a lot of bureaucracy. We're both headquartered in the west and our mission is to find solutions for investors. We have the same idea about one-on-one communications, and we like to have fun... Plus they've got Qtrade (online trading), and no other trust company offers that. There is great value in the relationship and I only see it evolving in interesting new ways.

**John Malyk**, Managing Partner  
Partners in Planning Financial Services Ltd.  
Calgary, 3-year CWT client



## 13 CONSECUTIVE YEARS OF DOUBLE DIGIT LOAN GROWTH

That doesn't happen by accident. For that kind of success you need a plan. CWB has a plan. A proven, sound business plan for strong, steady and profitable growth. It works. That's why we stick with it. **CONSISTENCY IS THE KEY.** In performance, execution and strategy.

The results? Over a decade of consistent growth, 58 consecutive profitable quarters... that's a record you can bank on! At CWB, our consistent approach has earned us the **BEST EFFICIENCY RATIO** in the Canadian banking industry. Our effective risk management is evidenced by strong credit quality and one of the lowest loan loss ratios among Canadian banks.

Not ones to sit on our laurels... we continue to focus on our **PLANNED, EFFICIENT GROWTH STRATEGIES** and on mitigating risk. We continue to expand our services within our targeted niche and broaden our lending reach in western Canada.


Size does matter. And we use our size to our advantage. While the 'big' Canadian banks are focused on U.S. expansion and

global-sized mergers as well as recovering from large loan losses incurred in the telecom and energy supply sectors, we are quite content to follow our path of **BALANCED AND RESPONSIBLE GROWTH** by focusing on markets we know and understand. You don't have to be 'big' to be a big success.

When it comes to exploring opportunities, **OUR APPROACH IS STRAIGHTFORWARD.** They have to fit into our plan and our comfort zone. Our strong capital base affords us the luxury to select our opportunities and the flexibility to choose how big and how fast to grow.

Offering both corporate and wealth management products, our trust arm, Canadian Western Trust ("CWT") is the **FASTEST GROWING INTERMEDIARY TRUST COMPANY** and custodian located in western Canada. Large enough to earn respect on the national stage. Small enough to fit comfortably into otherwise under-served niches. CWB and CWT share the same reputation for leadership and commitment to personal service... that's the western way!





Eastern-based banks tend to operate like big bureaucracies. But Canadian Western Bank is run more like a business... a small, local business where everyone knows me when I bring in the deposit, or take out a mortgage... the service is the most amazing thing. When we needed a mortgage and financing for the construction of our new building, the application went in at 3 pm on Tuesday and it was approved by Wednesday afternoon. I's dotted T's crossed. Everything in place....

**Bob Brews**, President  
R.L. Brews Ltd., Calgary  
5.5-year CWB Commercial client





*Capey Chinoak Branch*

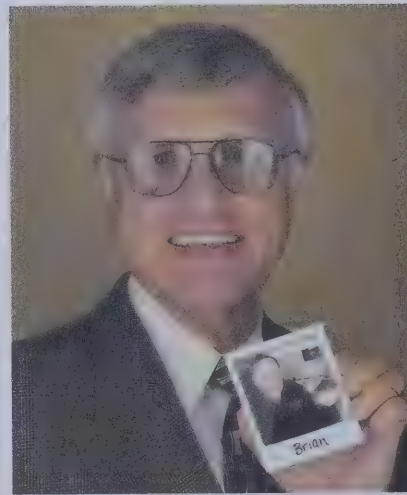
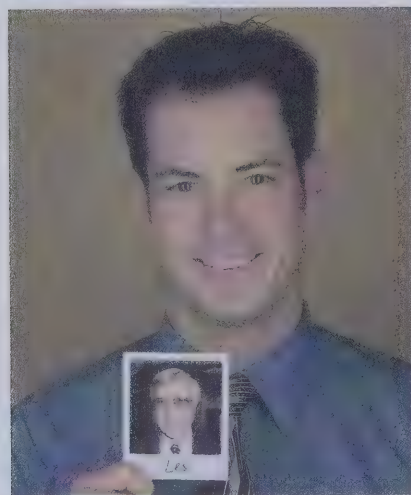


H03



H03







Customer service is not all business. Besides, chatting with someone like **Bob Brews** can be the highlight of your day. Ask anyone in the branch...

**Shannon Markwart**, Sales and Service Representative  
Calgary Chinook Branch, 3-year CWB employee

I've been with CWB almost two years, after many years at another bank. I like it here because I enjoy interacting with clients... and I get to do a lot of that. I know talking to people might seem time-consuming, but 90 percent of the time everything gets done by closing time. That's important because I also need time for my grandchildren. I was telling **Jillian** about them this morning...

**Marion Markovina**, Sales and Service Representative  
Calgary Chinook Branch, 2-year CWB employee

**Marion's** a great friend. We share our work days, lunches, stories about our kids... She's like family. That's the way it is with Team Chinook. And, if we had a bright, squeaky-clean young son or nephew, it would be **Jay**. We rib him about girlfriends, hair colour... everything. But he easily holds his own, and even though he's a Manager now in Commercial Lending, he's still always willing to lend a hand anytime we need it on the frontline.

**Jillian Czernick**, Administrative Assistant and Sales and Service Representative,  
Calgary Chinook Branch, 6-year CWB employee

It saves time if you're always honest... a sign of integrity, helps build trust... Must be why I like doing business with **Les Willems**... He's well known because he's so likeable and does such a great job... Not a numbers guy, but a very sharp commercial developer and businessman... Finds people he can trust to fill in the areas outside of his scope of expertise...

**Jay Campbell**, Manager, Commercial Banking  
Calgary Chinook Branch, 6-year CWB employee

I consider myself a basic guy. I know the 'physical' side of development, but for financing I rely on my people. **Jay** is like a part of my team. He looks after us. **Al** too; we have quite a history together. In fact, I first met Al when I was building his branch (Chinook Branch) Great location... McLeod Trail and Glenmore... really what I would call the heart of Calgary.

**Les Willems**, General Manager  
Spacemakers, Calgary  
4-year CWB client

Our relationship with **Les** is typical for us. There is a good atmosphere in this branch... and our reputation as team players has only improved since **Monique** got here. We needed someone like her and she started pitching in as soon as she arrived. She's a good leader... patient... treats people the way she wants to be treated. That goes for clients too...

**Brian Sutherland**, Senior Manager  
Commercial Banking  
Calgary Chinook Branch, 5-year CWB employee

My best referrals come from the commercial lenders... I recently went with **Brian** to Priddis Greens. He did the loan for the golf course, while I helped them open business accounts, got to know them a bit and took a look around the place. It was cool seeing where they were going to build. Made me feel like part of it... With **Al** as branch manager there's a lot of opportunities like that... **Bob Brews** calls Al 'a banker with imagination.'

**Monique Winniski**, Manager, Retail Banking  
Calgary Chinook Branch, 12-year CWB employee

Find out what people are good at and get them doing it... That's what happened with **Monique**, that's what we've tried to do with everyone here... Fits well with the bank's policy of niche marketing... which we know a bit about, since we have our own commercial lending department and we were the original home of the industrial financing group in Calgary... before they moved to Foothills Branch in southeast Calgary. **Michael**, formerly of Team Chinook, is now serving his industrial clients at Foothills...

**Al Steingart**, Assistant Vice President and Branch Manager  
Calgary Chinook Branch, 6-year CWB employee

I've always been impressed with **Al's** 'marketing' technique for new business - basically, building relationships... Seems there's often an opportunity when you start with an honest relationship. For example: We met Scott Kiser in 1996, when he was a VP at Southward Energy, a customer CWB inherited from our North West Trust acquisition. The relationship began there, and over the years, Scott and his companies, (the Caliber Group), have become one of our most successful clients.

**Michael Docherty**, Assistant Vice President and Manager, Industrial Centre  
Calgary Foothills Branch, 12-year CWB employee



I first talked to CWB in '97 about financing for Caliber. I knew **Michael** and I knew they were specialists in industrial equipment financing. It was a perfect fit because we run these coil tubing units... like a glorified service rig unit that expedites performance: does a two-day job in a few hours. We rolled the first truck down the road in '98 and haven't looked back... CWB is bar none the best bank for this type of financing...

**Scott Kiser**, President  
Caliber Industries Ltd., Calgary  
5-year CWB Industrial client







It's good to have focus. Focus defines your actions. Focus gives you direction. Focus leads to success. Our focus is on the West. CWB is the largest Schedule I chartered bank with headquarters and principal operations in western Canada. **WESTERNERS SERVING WESTERNERS.**

We're western to the core... and at CWB, our core business is providing **FULL-SERVICE COMMERCIAL AND PERSONAL BANKING** to western Canadians. It's really that simple. Provide a rapidly growing market segment with a bank they can call their own.

Our lending is in market segments we know and understand. Mid-market businesses who fit perfectly into our niche. Agile, savvy western businesses who know what it takes to survive and flourish. We know what works for our customers, and we work hard at doing just that. Call it western hospitality or just call it exceptional service. Either way, we make a point of **EXCEEDING SERVICE EXPECTATIONS** on every level.

We're focused. We deliberately keep our commercial lending to four areas... real estate, commercial, energy and industrial financing and leasing. While we may be a big company, **OUR APPROACH IS VERY PERSONAL.** We make the majority of lending decisions at the local level... because nobody understands the local economic climate and attitude better than the qualified professionals who live and work there.

We believe in playing to our strengths. CWB customers enjoy a solid suite of retail products at very **COMPETITIVE RATES...** personal banking, loans, mortgages, telephone and Internet banking, investment products and mutual funds. And CWT offers self-directed registered accounts and investment loan services, geared towards independent financial advisors and mortgage brokers, as well as corporate and group trust services.

We are in business to serve our customers' needs, not the other way around. We keep that our **TOP OF MIND** priority, and continue to be an attractive alternative to other financial institutions.

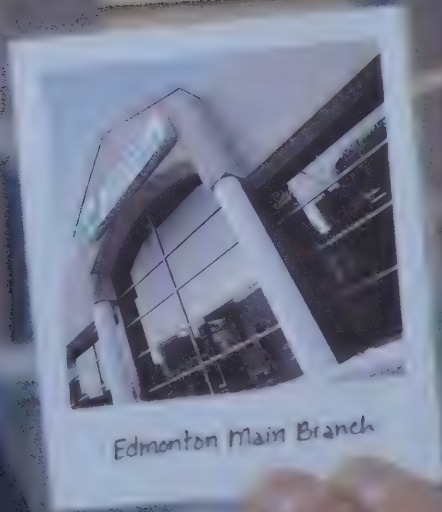




In land development you need a banker who says 'we want your business,' a banker who knows how to play on the team with landscapers, fencers and roofers... so they can be full-fledged stakeholders. CWB holds up its end of the bargain better than any bank I've known. And I like the fact that **Larry Pollock** is a regular guy... lets his record speak for itself... makes him a cut above his peers...

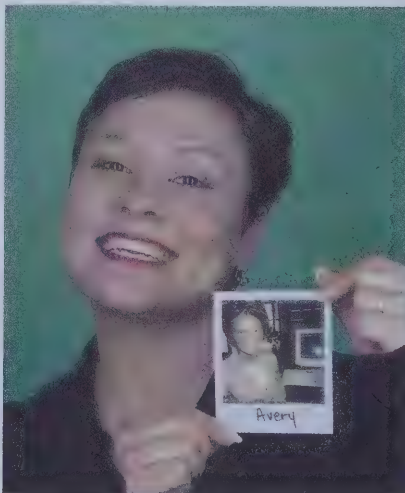
**David McDougall**, President  
McDugall Company Inc., Edmonton  
3-year CWB Real Estate client





Edmonton Main Branch







**David McDougall** is relentless in his pursuit of value. And, he possesses the rare ability to locate communities so that everybody benefits... A truly exceptional residential land developer... Exactly the type of client we look for: someone with a clear - FEASIBLE - vision. Everyone on the team is good at spotting a visionary. (It just comes naturally with western-style business). And there are hundreds of examples on our books. **Don Metz** is a visionary we spotted in the mid-90s...

**Les Shore**, Senior Assistant Vice President  
and Branch Manager  
Edmonton Main Branch, 1-year CWB employee

In '94 I bought out my partner and I needed \$1 million in equipment to secure a multi-million dollar NHL Club deal. I was fed up with my bank. So when CWB took an interest in our business, offering innovative financing to accommodate our crazy sales cycles - I was immediately on board. **Derek** manages all our banking now. The guy has such a grasp of our business. It's like he has the vision to see our vision.

**Don Metz**, President and CEO  
Aquila Productions Ltd., Edmonton  
7-year CWB client

Go to an Oilers' hockey game. **Don** orchestrates every bit of Oilers video that comes out of Skyreach Centre. Everything on the screen is produced by Aquila. They are growing like the bank... and we're lending them the operating capital that makes it possible. Last year they were bought by Insight Sports Ltd., which is part owner of the NHL Network. So we've helped them with expansions, equipment financing... Don has a clear vision that's easy to support...

**Derek Calfas**, Senior Manager  
Commercial Banking  
Edmonton Main Branch, 3-year CWB employee

CWB is a local bank. **Derek** exemplifies this with his clients. That means being knowledgeable, active and responsive in the community and knowing the business issues our clients face daily. We are fortunate to be associated with the best real estate developers in Western Canada and **David McDougall**, the MLC Group team, along with MLC investors are a great example. They make the banking relationship successful. Financing Alberta real estate development can be somewhat demanding and the process only works with effective support. **Marian** combines a client focus, a Think Western attitude and the skill to get the job done...

**Gary Comber**, Assistant Vice President  
Real Estate Lending  
Edmonton Main Branch, 5-year CWB employee

I moved upstairs four months ago - to real estate from retail banking - I still help out customers (with details of their loans), but now my main clients are the lenders in real estate. Great to work with... especially **Gary**. Unbelievably smart. I've already learned tons from him. He helped me settle in... Just like when I started on the frontline: **Avery** was there alone with me that first morning. She just smiled, welcomed me, and showed me everything.

**Marian Curry**, Loan Administrator  
Real Estate Lending  
Edmonton Main Branch, 1-year CWB employee

Sometimes a smile is all you need... or maybe a chat. Stu, one of my clients, always has a story or joke for me. He tells me about his boat in Victoria. He loves it ... 'looks so beautiful in the pictures. I know his voice so well now, I'm comfortable giving him balances over the phone. You meet the coolest people on the frontline. Just ask **Laura**. We have a blast.

**Avery Roberts**, Sales and Service Representative  
Edmonton Main Branch, 2-year CWB employee

Clients wait to see **Avery**. She loves talking to them. She knows so much about their lives. And she gets to see all the customers' new babies. People really like her; I do too. We've become friends. This is a great atmosphere for making friends. **Tanis** (our boss) has a lot to do with it. She makes it fun here. She can take a practical joke, but she's learned to lock her door... And, just for the record, I know nothing about the air freshener incident...

**Laura Ingram**, Sales and Service Representative  
Edmonton Main Branch, 3-year CWB employee

At Edmonton Main, the frontline is a great place to be because... well, you know what rapport sounds like? It's laughter and talking. And getting the banking done: opening accounts, selling GICs and RSPs, completing transactions, double checking the figures... Low stress/very high productivity. That's my team, all 18 (complete with the occasional misplaced air freshener). The laughter really keeps us together. Actually, **Marcia** and I have had a couple of good giggles lately, since we've been working together a fair bit.

**Tanis Poshtar**, Manager, Sales and Service  
Edmonton Main Branch, 2-year CWB employee

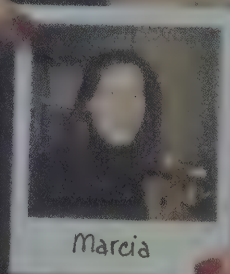
**Tanis** and I have been working on a few projects recently focusing on seniors. We try to provide an environment that's easy for them to do in-branch banking. I believe seniors appreciate our sit-down banking area. It's just one way we show that we care... But it certainly doesn't stop there. We all have causes and charities that are close to our hearts. Recently, a bunch of us volunteered to sell raffle tickets at Fashion With Compassion (an annual fundraiser to support patients with breast cancer and their families who stay at **Compassion House**).

**Marcia Browton**, Assistant Manager  
Sales and Service  
Edmonton Main Branch, 3-year CWB employee



CWB has been with us since this house was just a dream. **Larry Pollock** counselled us on how to get the house up and running and was a key member of the Capital Campaign Committee. The bank not only helped as a major donor, but several of their employees even came down to volunteer their time at Fashion With Compassion (our annual fundraiser)... so warm and giving... They set the standard and others have come forward since. So now thousands of northern Alberta women will have the benefit of our resources and be welcome to stay here during treatment for breast cancer.

**Elexis Schloss**, President  
Compassion House, Edmonton  
1-year CWB client





## 27 BRANCHES, NO CALL CENTRES OR VOICEMAIL

CWB is people. We are accessible. You don't get that from an impersonal recording on the end of a line. That's why you won't find voicemail or call centres here. Just person-to-person, face-to-face, one-on-one communication. THAT'S WESTERN HOSPITALITY. That's CWB.

WE'RE OUT TO BE THE BEST rather than the biggest. We emphasize the 'personal' in personal banking. You'll find our SERVICE IS ALWAYS FAST AND FRIENDLY... and there are no line-ups. Thinking Western sets us apart. It's as simple as treating people as you would wish to be treated. RESPECT PLAYS A BIG PART in everything we do. Respect for our fellow employees and our customers. We're in the business of building meaningful relationships... they are, by far, our most valuable investments.

Small town or big city... community means a great deal in the West. At CWB, we go beyond the walls of our branches. WE'RE INVOLVED IN THE COMMUNITY... because we live

there, too. Our employees support the community in many ways and on many levels. They sit on boards, volunteer for charitable events and fundraisers, give blood, coach sports teams, and more. There's a strong sense of DOING FOR OTHERS. CWB and its people donate hundreds of hours and thousands of dollars to local projects every year. And the momentum is building.

Along with our commitment to our customers and to the community, we are COMMITTED TO THE FUTURE. CWB recently made a major 10-year pledge to the University of Alberta for an aboriginal student scholarship in the School of Business. This is but one example of funding for scholarships we provide at western Canadian post-secondary institutions. It doesn't stop there, we support a variety of worthwhile causes, from caregiving to the arts. Our corporate culture is a reflection of our people... good people, caring people, western people.



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# MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

## Key Performance Indicators

(\$ thousands, except per share amounts)

	2002	2001	2002/2001 Increase (decrease)	% Change
Net income before provision for income taxes (teb) <sup>(1)</sup>	\$ 48,165	\$ 46,582	\$ 1,583	3 %
Provision for income taxes (teb), excluding unusual item	\$ 18,553	\$ 15,187	\$ 3,366	22 %
Net income from operations	\$ 29,612	\$ 31,395	\$ (1,783)	(6)%
Income tax expense from income tax rate changes	\$ 0	\$ 1,250	\$ (1,250)	(100)%
Net income	\$ 29,612	\$ 30,145	\$ (533)	(2)%
Earnings per share				
Basic	\$ 2.34	\$ 2.51	\$ (0.17)	(7)%
Diluted	\$ 2.14	\$ 2.26	\$ (0.12)	(5)%
Provision for credit losses as a percentage of average loans	0.26%	0.23%	0.03%	
Efficiency ratio <sup>(2)</sup> (expenses to revenues) (teb)	50.7%	50.0%	0.7%	
Return on common shareholders' equity	11.2%	13.5%	(2.3)%	
Return on average total assets	0.83%	0.93%	(0.10)%	

(1) See page 26 for a discussion of teb.

(2) A decrease in the ratio reflects improved efficiency.

## Overview of 2002

The Bank recorded solid overall financial results for 2002. Double digit loan growth was achieved. Credit quality was strong and loan losses were a quarter of the industry average. The efficiency ratio at 50.7% remained the best in the Canadian banking industry.

Total assets increased by over 11% from one year ago to reach \$3,828 million. Loans increased by \$362 million, or 13%. Credit quality remained very strong. The provision for credit losses as a percentage of average loans was 0.26% in 2002 and has averaged 0.22% over the last five years. The total capital adequacy ratio at October 31, 2002 was 11.4% (2001 - 12.5%) with a Tier 1 component of 8.8% (2001 - 9.3%).

Net income before provision for income taxes (teb) for the year ended October 31, 2002 was \$48.2 million, an increase of 3% from \$46.6 million reported in 2001. The provision for income taxes (teb) increased to \$18.6 million compared to \$15.2 million last year, excluding the adjustment for rate changes. The effective annual income tax rate increased to approximately 39% from 33% last year as the remaining unclaimed tax deductions were largely diminished during 2001.

Reported net income for fiscal 2002 was \$29.61 million, down only 2% from the record \$30.15 million earned last year, despite a significant compression of net interest margin in the first half of the year and the increased tax rate. The related diluted earnings per share were \$2.14 in 2002 compared to \$2.26 a year ago. Return on shareholders' equity and return on assets were 11.2% and 0.83% respectively compared to 13.5% and 0.93% last year.

In evaluating the Bank's performance, management reviews reported net income (i.e. as reported in the Consolidated Statement of Income on page 49) as well as net income from operations which is adjusted to exclude unusual items. Unusual items that may include non-cash items are viewed by management as transactions that are not part of the core business operations or which are somehow unusual in nature. A comparison of earnings at this level provides a more meaningful year-over-year comparison. There were no unusual items in fiscal 2002. Net income from operations in 2001 excludes non-cash tax expense of \$1.25 million related to the write-down of future income tax assets due to future federal and provincial tax rate reductions. Readers are cautioned that net income from operations does not have a standardized meaning under generally accepted accounting principles and may not be comparable to similar terms used by other companies.

Net income from operations for the year ended October 31, 2002 was \$29.61 million, a decrease of 6% from \$31.40 million in 2001. Diluted earnings per share based on net income from operations were \$2.14 compared to \$2.34 last year. Return on shareholders' equity and return on assets were 11.2% and 0.83% for 2002 compared to 14.0% and 0.97% respectively for 2001.



## Consolidated Information

(\$ thousands, except per share amounts)

	2002				2001			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Results of operations (teb)<sup>(1)</sup></b>								
- Reported								
Net interest income	\$ 24,534	\$ 24,079	\$ 20,677	\$ 21,994	\$ 22,295	\$ 21,563	\$ 20,487	\$ 21,156
Total revenues	29,869	29,834	25,809	27,908	27,686	26,805	25,185	25,583
Net income before provision for income taxes	12,728	13,251	9,807	12,379	12,718	12,119	10,547	11,198
Provision for income taxes	5,001	5,187	3,382	4,983	4,412	3,885	3,464	4,676
Net income	7,727	8,064	6,425	7,396	8,306	8,234	7,083	6,522
Return on common shareholders' equity	11.2%	12.0%	10.1%	11.5%	13.3%	13.6%	13.8%	13.1%
Return on average total assets	0.82%	0.89%	0.76%	0.85%	0.97%	1.00%	0.91%	0.84%
Earnings per common share								
Basic	\$ 0.61	\$ 0.64	\$ 0.51	\$ 0.59	\$ 0.66	\$ 0.66	\$ 0.61	\$ 0.58
Diluted	0.56	0.58	0.47	0.53	0.60	0.59	0.54	0.52
Efficiency ratio	50.9%	49.1%	54.5%	48.7%	48.6%	49.1%	52.1%	50.3%
<b>Results of operations (teb) - Excluding unusual items<sup>(2)</sup></b> (see explanation below)								
Net interest income	\$ 24,534	\$ 24,079	\$ 20,677	\$ 21,994	\$ 22,295	\$ 21,563	\$ 20,487	\$ 21,156
Total revenues	29,869	29,834	25,809	27,908	27,686	26,805	25,185	25,583
Net income before provision for income taxes	12,728	13,251	9,807	12,379	12,718	12,119	10,547	11,198
Provision for income taxes	5,001	5,187	3,382	4,983	4,412	3,635	3,464	3,676
Net income	7,727	8,064	6,425	7,396	8,306	8,484	7,083	7,522
Return on common shareholders' equity	11.2%	12.0%	10.1%	11.5%	13.2%	13.9%	13.6%	15.1%
Return on average total assets	0.82%	0.89%	0.76%	0.85%	0.97%	1.03%	0.91%	0.97%
Earnings per common share								
Basic	\$ 0.61	\$ 0.64	\$ 0.51	\$ 0.59	\$ 0.66	\$ 0.68	\$ 0.61	\$ 0.67
Diluted	0.56	0.58	0.47	0.53	0.60	0.61	0.54	0.59
Efficiency ratio	50.9%	49.1%	54.5%	48.7%	48.6%	49.1%	52.1%	50.3%

(1) Most banks analyze revenue on a taxable equivalent basis ("teb") to permit uniform measurement and comparison of net interest income. Net interest income (as presented in the Consolidated Statement of Income) includes tax-exempt income on certain securities. Since this income is not taxable, the rate of interest or dividend received is significantly lower than would apply to a loan or security of the same amount. The taxable equivalent basis includes an adjustment that increases interest income and the provision for income taxes by an amount that adjusts the income on the tax-exempt securities to what income would have been had it been taxed at the statutory rate. Prior to fiscal 2002, tax-exempt security income was insignificant and no taxable equivalent adjustments were made.

(2) Excludes non-cash income tax expense relating to the write-down of future income tax assets as a result of future tax rate reductions which is considered an unusual item. There were no unusual items in fiscal 2002. In fiscal 2001 there was unusual tax expense of \$1,000 in the first quarter and \$250 in the third quarter. Results are presented on this basis in order to provide a more meaningful comparison between periods.

## NET INTEREST INCOME

**Table 1 - Net Interest Income (teb)**

(\$ thousands)

	2002				2001			
	Average Balance	Mix	Interest	Interest Rate	Average Balance	Mix	Interest	Interest Rate
<b>Assets</b>								
Securities and deposits with regulated financial institutions <sup>(1)</sup>	\$ 436,589	13%	\$ 16,907	3.87%	\$ 440,558	14%	\$ 23,225	5.27%
<b>Loans</b>								
Securities purchased under resale agreements	49,647	2	1,193	2.40	37,781	1	1,719	4.55
Residential mortgages	572,446	16	34,907	6.10	518,713	16	36,992	7.13
Other loans	2,398,029	68	157,897	6.58	2,127,070	67	171,957	8.08
Total loans	3,020,122	86	193,997	6.42	2,683,564	84	210,668	7.85
Total interest bearing assets	3,456,711	99	210,904	6.10	3,124,122	98	233,893	7.49
Other assets	48,571	1	-	0.00	51,483	2	-	0.00
<b>Total Assets</b>	<b>\$ 3,505,282</b>	<b>100%</b>	<b>\$ 210,904</b>	<b>6.01%</b>	<b>\$ 3,175,605</b>	<b>100%</b>	<b>\$ 233,893</b>	<b>7.36%</b>
<b>Liabilities</b>								
<b>Deposits</b>								
Demand	\$ 83,715	2%	\$ -	0.00%	\$ 59,261	2%	\$ -	0.00%
Notice	370,021	11	3,522	0.95	294,030	9	8,722	2.97
Fixed term	2,655,316	76	112,391	4.23	2,455,504	78	135,682	5.53
Total deposits	3,109,052	89	115,913	3.73	2,808,795	89	144,404	5.14
Other liabilities	68,923	2	-	0.00	74,071	2	-	0.00
Debentures	62,959	2	3,707	5.89	67,126	2	3,988	5.94
Shareholders' equity	264,348	7	-	0.00	225,613	7	-	0.00
<b>Total Liabilities</b>	<b>\$ 3,505,282</b>	<b>100%</b>	<b>\$ 119,620</b>	<b>3.41%</b>	<b>\$ 3,175,605</b>	<b>100%</b>	<b>\$ 148,392</b>	<b>4.67%</b>
<b>Total Assets/</b>								
<b>Net Interest Income</b>	<b>\$ 3,505,282</b>		<b>\$ 91,284</b>	<b>2.60%</b>	<b>\$ 3,175,605</b>		<b>\$ 85,501</b>	<b>2.69%</b>

(1) Includes teb adjustment of \$2.5 million (2001 - nil). See page 26 for a discussion of the taxable equivalent basis.

Net interest income is the difference between interest and dividends earned on assets and interest expensed on deposits and other liabilities, including debentures. Net interest spread, or margin, is net interest income as a percentage of average total assets.

In 2002, net interest income increased by \$5.8 million, or 7%, primarily due to:

- an increase of \$333 million (11%) in average interest bearing assets; offset by
- a decrease in net interest spread to 2.60% from 2.69%.

The decrease in net interest spread in 2002 is due to the negative effect of the record low interest rate environment on the portfolio. In particular, the rapid decline in short-term rates compressed net interest margin in the first half of 2002. Average prime for the year decreased from 6.55% to 4.15% and prime fell from 5.75% to 3.75% over a four month period and then recovered to 4.50% due to rate increases in April, June and July 2002.

The Bank has a positive interest rate gap which tends to lead to a decrease in net interest income when market interest rates fall since assets reprice earlier than liabilities. Some of the impact from the decreased margin this year was offset by the realization of security gains which are included in other income. The resulting reinvestment in the securities portfolio along with the low interest rates contributed to the reduction in the yield on the portfolio to 3.87% from 5.27% last year. Another factor contributing to the net interest margin compression was the fact that the cost of funding prime-based loans (which customers demonstrated greater preference for due to record low rates) did not decrease proportionately to the drop in prime. This was because the cost of notice and demand deposits reached an interest rate floor and there was greater reliance on more costly short-term funding for growth in prime-based loans.

Increases in short-term interest rates in the latter half of the year resulted in a recovery in the margins due to the positive gap and because the cost of demand and notice accounts did not rise as quickly as the yield on floating rate assets.



In 2003 it is expected that net interest spread for the year will be comparable to the last half of 2002 with the expectation for a slight rise in the prime rate in the second half of the year. As discussed in the Interest Rate Risk section, the portfolio continues to have a positive gap with maturing assets exceeding maturing liabilities during the one year time frame. If short-term market rates increase this would have a positive impact on spreads.

## OTHER INCOME

Table 2 - Other Income  
(\$ thousands)

	2002	2001	2002/2001 Increase (decrease)	
			\$	%
Credit related	\$ 11,050	\$ 10,262	\$ 788	8 %
Retail services	3,944	3,397	547	16
Trust services	3,206	2,252	954	42
Gains on security sales, net	2,385	2,328	57	2
Foreign exchange	1,279	1,156	123	11
Other <sup>(1)</sup>	272	363	(91)	(25)
<b>Total Other Income</b>	<b>\$ 22,136</b>	<b>\$ 19,758</b>	<b>\$ 2,378</b>	<b>12 %</b>

(1) Other includes gains/losses on equipment disposals and other miscellaneous non-interest revenues.

Other income, which includes all revenues not classified as net interest income, was \$22.1 million, an increase of \$2.4 million or 12% over 2001. As shown in Table 2, all categories of other income grew in 2002. Notable changes include:

- an increase of \$1.3 million in credit and retail fees due to loan and deposit growth and increased activity; and
- increased trust services fees in Canadian Western Trust ("CWT") due to continued growth (15%) in the number of self-directed RRSP (registered retirement savings plan) and RRIF (registered retirement income fund) accounts and an increased offering of products available.

Other income as a percentage of total revenue (net interest income and other income) was 20% in 2002, up from 19% in 2001. Gains in the fixed income securities portfolio arose from the reductions in market interest rates and their realization helped ease the impact on profitability from the compression in net interest margin.

In 2003 total other income is expected to show broad-based growth, with the exception of security gains, with a continued focus on increasing other income as a percentage of total revenue.

## NON-INTEREST EXPENSES

Non-interest expenses increased 9% to \$57.5 million in 2002. The increase is primarily due to:

- salaries from an increase in full time staff complement to accommodate growth;
- employee benefits due to increased group plan and provincial health premiums as well as the increase in staff complement; and
- premises expenses related to new branch initiatives completed late in fiscal 2001.

The efficiency ratio increased slightly to 50.7% from 50.0% in 2001 as revenue growth of 8% did not keep pace with expense growth of 9% due to the compression in net interest margin which slowed revenue growth. However, the efficiency ratio continues to compare very positively to the other Canadian Schedule I banks which averaged 66.5% in fiscal 2002. Non-interest expenses as a percentage of average assets was 1.64% in 2002, consistent with 1.66% in 2001.

**Table 3 - Non-interest Expenses and Efficiency Ratio**  
(\$ thousands)

	2002	2001	2002/2001 Increase (decrease)	
			\$	%
<b>Salaries and Employee Benefits</b>				
Salaries	\$ 29,147	\$ 26,073	\$ 3,074	12%
Employee benefits	5,438	4,396	1,042	24
Total	34,585	30,469	4,116	14
<b>Premises</b>				
Rent	4,765	4,415	350	8
Depreciation	1,064	968	96	10
Other	1,319	972	347	36
Total	7,148	6,355	793	12
<b>Equipment and Furniture</b>				
Depreciation	2,046	2,118	(72)	(3)
Other	1,635	1,611	24	1
Total	3,681	3,729	(48)	(1)
<b>General</b>				
Professional fees and services	1,954	1,738	216	12
Capital and business taxes	1,691	2,032	(341)	(17)
Marketing and business development	1,539	1,521	18	1
Postage and stationery	1,440	1,288	152	12
Banking charges	1,059	990	69	7
Regulatory costs	923	1,047	(124)	(12)
Travel	792	839	(47)	(6)
Communications	557	497	60	12
Other	2,146	2,076	70	3
Total	12,101	12,028	73	1
<b>Total Non-interest Expenses</b>	<b>\$ 57,515</b>	<b>\$ 52,581</b>	<b>\$ 4,934</b>	<b>9%</b>
<b>Efficiency Ratio</b>				
Net interest income (teb)	\$ 91,284	\$ 85,501	\$ 5,783	7%
Other income	22,136	19,758	2,378	12
Total revenues	\$ 113,420	\$ 105,259	\$ 8,161	8%
<b>Efficiency ratio (expenses as a percentage of total revenues)</b>	<b>50.7%</b>	<b>50.0%</b>		

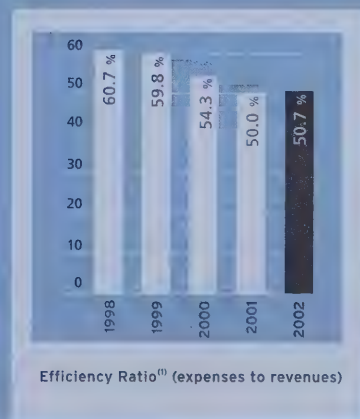
Expectations for 2003 are that:

- the full time staff complement will increase by approximately 8% to accommodate growth in volumes and new branch initiatives; and
- increases in other non-interest expenses will be primarily attributable to volume increases from growth.

Capital expenditures of \$5.5 million are budgeted for 2003 and will be funded from general operating revenues. At year end there were specific commitments of \$442,000 for these capital expenditures.

#### Stock-Based Compensation

Effective for options granted on or after November 1, 2002, the Bank will adopt the provisions of Section 3870 of the Canadian Institute of Chartered Accountants Handbook "Stock-based Compensation and Other Stock Based Payments". The Bank has chosen to account for stock-based compensation using the fair value method which recognizes the fair value of the compensation cost in the financial statements.



(1) A decrease in the ratio reflects improved efficiency.



If the Bank had adopted the fair value method of accounting for stock options granted during fiscal 2002, results would have been affected as follows:

	As Reported	Pro forma <sup>(1)</sup>
Net income	\$ 29,612	\$ 29,225
Earnings per share		
Basic	\$ 2.34	\$ 2.31
Diluted	\$ 2.14	\$ 2.11

(1) Compensation expense under the fair value method is recognized over the vesting period of the related stock options. Accordingly, the pro forma results of applying this method may not be indicative of future amounts.

In determining the pro forma disclosures above, the fair value of options granted was estimated on the date of grant using a binomial option pricing model with the following variables and assumptions: (i) risk-free interest rate of 4.8%, (ii) expected option life of 3.5 years, (iii) expected volatility of 23%, and (iv) expected dividends of 1.5%. The estimated fair value of each option granted was \$5.43.

The actual amount of compensation expense recorded in 2003 will depend on the specifics of the actual options granted in 2003 and the variables at the time of the grant(s).

## Taxes

The provision for income taxes (teb) was \$18.6 million in 2002, up from \$16.4 million (which included tax expense of \$1.3 million from future income tax rate changes) in the prior year. The Bank is now fully taxable although the benefit from previously unrecognized tax deductions discussed below was realized in 2002.

During the year confirmation was received that prior year tax refilings were successful (which effectively increased unclaimed deductions for those prior years by approximately \$5 million) and the effective annual tax rate for 2002 reflects this benefit. Income taxes otherwise payable by the Bank for the year ended October 31, 2001 were partially eliminated by utilizing approximately \$15.7 million of unclaimed deductions

and tax loss carryforwards. This benefit was partially offset by a charge of \$1.3 million relating to future income tax rate reductions. At October 31, 2002, there were no unclaimed deductions available to reduce future years' income for tax purposes. Capital losses of \$11.8 million (2001 - \$11.8 million) are available to apply against future capital gains and have no expiry date. The tax benefit of these capital losses has not been recognized. For the year ended October 31, 2002 the effective tax rate (teb) was approximately 39% compared to 33% (excluding tax expense from future tax rate changes) in 2001. This rate is expected to remain in the 38 - 40% range in 2003.

Future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities and their values for tax purposes. The Bank's significant future income tax asset relates primarily to the general allowance for credit losses. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change. There were no rate reductions enacted in 2002. Income tax expense for 2001 includes \$1.3 million relating to federal and provincial income tax rate reductions enacted during that year.

Table 4 - Capital Taxes

(\$ thousands)

	Capital Tax Rate	Capital Allocation	2002/2001 Increase (decrease)			
			2002	2001	\$	%
British Columbia	1.00%	40%	\$ 1,151	\$ 1,008	\$ 143	14 %
Alberta	0.00% <sup>(1)</sup>	52%	-	539	(539)	(100)
Saskatchewan	0.70%	5%	105	92	13	14
Manitoba	3.00%	3%	271	239	32	13
Total Capital Taxes			\$ 1,527	\$ 1,878	\$ (351)	(19)%

(1) Alberta's capital tax was eliminated on April 1, 2001; prior to that date the rate was 0.70%.

Capital taxes for 2002 totalled \$1.5 million compared to \$1.9 million in 2001. The decrease is attributable to:

- the first full year with no capital tax in Alberta; offset by
- taxes exigible on increased capital due to retention of earnings.

The goods and services tax (GST) carries with it a significant cost to the Bank, as it does to all financial institutions, to the extent that GST paid is not recoverable through increased

service charges, increased loan costs or reduced deposit rates. This cost is incurred because the majority of the Bank's activities, except leasing and trust services, are exempt under GST legislation and thus GST cannot be charged and collected from customers as occurs in the majority of Canadian businesses. As a result, the ability to recover the GST paid on most purchased goods and services is lost.

## LOANS

**Table 5 - Outstanding Loans by Type and by Provincial Location of Branch**  
(\$ millions)

October 31, 2002	British Columbia	Alberta	Saskatchewan	Manitoba	Total <sup>(1)</sup>	Composition Percentage
<b>Loans to Individuals</b>						
Residential mortgages <sup>(2)</sup>	\$ 321	\$ 219	\$ 52	\$ 13	\$ 605	18 %
Other	42	61	14	2	119	4
<b>Total</b>	<b>363</b>	<b>280</b>	<b>66</b>	<b>15</b>	<b>724</b>	<b>22</b>
<b>Loans to Businesses<sup>(3)</sup></b>						
Securities purchased under resale agreements	-	66	-	-	66	2
Commercial	331	491	16	46	884	27
Construction and real estate <sup>(4)</sup>	386	445	27	60	918	28
Industrial	189	301	21	11	522	16
Energy	-	164	-	-	164	5
<b>Total</b>	<b>906</b>	<b>1,467</b>	<b>64</b>	<b>117</b>	<b>2,554</b>	<b>78</b>
<b>Total Loans</b>	<b>\$ 1,269</b>	<b>\$ 1,747</b>	<b>\$ 130</b>	<b>\$ 132</b>	<b>\$ 3,278</b>	<b>100 %</b>
<b>Composition Percentage</b>	<b>39%</b>	<b>53%</b>	<b>4%</b>	<b>4%</b>	<b>100%</b>	
<b>October 31, 2001</b>						
<b>Loans to Individuals</b>						
Residential mortgages <sup>(2)</sup>	\$ 303	\$ 184	\$ 56	\$ 13	\$ 556	19 %
Other	37	53	13	3	106	4
<b>Total</b>	<b>340</b>	<b>237</b>	<b>69</b>	<b>16</b>	<b>662</b>	<b>23</b>
<b>Loans to Businesses<sup>(3)</sup></b>						
Securities purchased under resale agreements	-	75	-	-	75	3
Commercial	310	392	20	32	754	26
Construction and real estate <sup>(4)</sup>	363	322	25	49	759	26
Industrial	184	295	18	12	509	17
Energy	-	154	-	-	154	5
<b>Total</b>	<b>857</b>	<b>1,238</b>	<b>63</b>	<b>93</b>	<b>2,251</b>	<b>77</b>
<b>Total Loans</b>	<b>\$ 1,197</b>	<b>\$ 1,475</b>	<b>\$ 132</b>	<b>\$ 109</b>	<b>\$ 2,913</b>	<b>100 %</b>
<b>Composition Percentage</b>	<b>41%</b>	<b>51%</b>	<b>4%</b>	<b>4%</b>	<b>100%</b>	

(1) This table does not include an allocation of the allowance for credit losses and deferred revenue and premiums.

(2) Includes single and multi-unit residential mortgages.

(3) Corporate loans (described on page 32) are included in Loans to Businesses based on the security of the specific loan and the nature of the borrower's business.

(4) Includes commercial term mortgages and project (interim) mortgages.



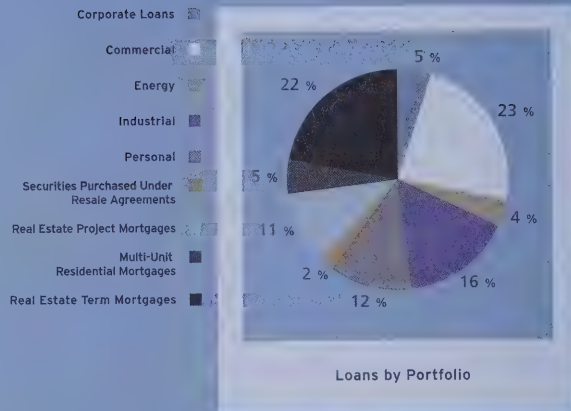
Loans, as reported on the consolidated balance sheet, totalled \$3,249 million at the end of 2002 compared to \$2,887 million at the end of 2001, an increase of 13%. Highlights of the year-over-year changes are:

#### Portfolio

- construction and real estate loans increased \$159 million (21%) and represent 28% of the portfolio versus 26% a year earlier;
- commercial loans increased \$130 million (17%) and comprise 27% of the portfolio compared to 26% one year ago; and
- loans to individuals represent 22% of the total portfolio, compared to 23% in 2001.

Loan growth for the year came primarily from organic growth as well as a portfolio of \$14 million in mid-market business loans which was acquired from Laurentian Bank of Canada's Vancouver Commercial Banking Centre.

Since 1999 the Bank has developed a portfolio of loans, identified internally as corporate loans, through participation in selected syndications, the majority of which have been structured and led by the major Canadian banks. This initiative has afforded the opportunity to participate in larger, investment grade credits as well as providing a degree of geographic diversification. At October 31, 2002 the corporate loan portfolio totalled \$141 million (2001 - \$103 million).



#### Location

- loan growth of \$293 million (17%) in the prairie provinces (primarily in Alberta);
- loans held at Alberta branches increased to 53% of the total portfolio at October 31, 2002 from 51% at October 31, 2001 due primarily to strong economic growth in the province; and
- there was a corresponding decrease in the British Columbia loan portfolio from 41% to 39%.

Consistent and strong loan growth of 13% is expected in 2003. The Bank continually analyzes external factors which may impact western Canada and the environments in which the Bank's customers operate. One factor that is currently being monitored is the potential impact of the possible implementation of the Kyoto accord, which should become more clear in 2003.

## Deposits

Table 6 - Deposits

(\$ thousands)

	2002		2001	
	Amount	% of Total	Amount	% of Total
<b>Canadian Currency</b>				
Personal chequing and savings	\$ 169,737	5%	\$ 147,770	5%
Business demand and savings	368,764	11	290,542	10
Fixed term:				
Under \$ 100,000	1,787,391	52	1,592,122	52
\$100,000 and over	555,276	16	470,242	15
Registered retirement products	523,534	15	518,075	17
Total	3,404,702	99	3,018,751	99
Foreign Currency (Canadian equivalent)	24,369	1	23,556	1
<b>Total Deposits</b>	<b>\$ 3,429,071</b>	<b>100%</b>	<b>\$ 3,042,307</b>	<b>100%</b>

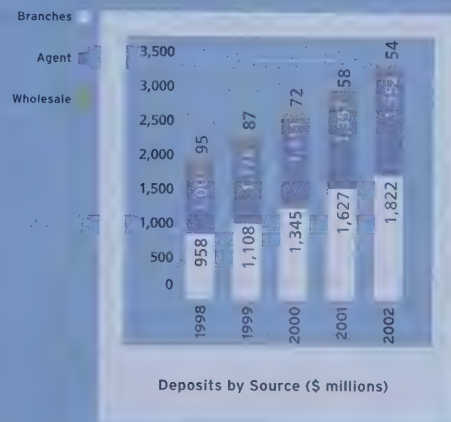
Growth of 13% in deposits was achieved this year. Lower cost business and personal deposits grew faster than total deposits and these deposits now account for 16% of total deposits compared to 15% last year. The focus on increasing lower cost deposits will continue to be an ongoing priority. Branch generated deposits grew by 12% this year and account for over one-half of total deposits.

The source of deposits has remained consistent year over year and is broken down as follows:

- branches - 53%
- deposit agents - 45%
- wholesale - 2%

CWT deposits are included in the foregoing numbers. The trust's growth in low cost notice deposits (primarily cash balances held in self-directed accounts and corporate trust deposits) which totaled \$89 million at October 31, 2002 (2001 - \$70 million) has contributed to the improved mix of these deposits for the Bank.

Branch generated deposits are generally considered to be more stable and the Bank will continue to focus on achieving further growth in this area. Agent deposits are slightly more expensive because a commission is paid, but this added cost is countered by a reduced need for a more extensive branch network.



## CAPITAL FUNDS AND ADEQUACY

Table 7 - Capital Structure and Regulatory Ratios at Year End  
(\$ thousands)

	2002	2001	2002/2001 Increase (decrease)
<b>Tier 1 Capital</b>			
Retained earnings	\$ 132,884	\$ 108,320	\$ 24,564
Common shares	145,203	143,942	1,261
<b>Total</b>	<b>278,087</b>	<b>252,262</b>	<b>25,825</b>
<b>Tier 2 Capital</b>			
General allowance for credit losses (Tier A) <sup>(1)</sup>	23,797	21,454	2,343
Subordinated debentures (Tier B)	57,126	67,126	(10,000)
<b>Total</b>	<b>80,923</b>	<b>88,580</b>	<b>(7,657)</b>
<b>Total Regulatory Capital</b>	<b>\$ 359,010</b>	<b>\$ 340,842</b>	<b>\$ 18,168</b>
<b>Regulatory Capital to Risk-weighted Assets</b>			
Tier 1 capital	8.8%	9.3%	(0.5)%
Tier 2 capital	2.6%	3.2%	(0.6)%
<b>Total Regulatory Capital Adequacy Ratio</b>	<b>11.4%</b>	<b>12.5%</b>	<b>(1.1)%</b>
<b>Assets to Regulatory Capital Multiple<sup>(2)</sup></b>	<b>10.9</b>	<b>10.3</b>	<b>0.6</b>

(1) Banks are allowed to include their general allowance for credit losses up to a prescribed percentage of risk-weighted assets in Tier 2A capital. The Bank has been granted an inclusion rate to a maximum of 0.875% of risk-weighted assets. At October 31, 2002, the Bank's general allowance represents 0.76% (2001 - 0.79%) of risk-weighted assets.

(2) Total assets plus off-balance sheet credit instruments, such as letters of credit and guarantees, less goodwill divided by total regulatory capital.



**Table 8 - Risk-weighted Assets**  
(\$ thousands)

	Balance	2002 Risk- weighted Balance	Balance	2001 Risk- weighted Balance
<b>Balance Sheet Assets</b>				
Cash resources	\$ 187,877	\$ 37,190	\$ 232,808	\$ 46,173
Securities	345,619	83,871	268,420	33,657
Loans	3,248,747	2,938,787	2,886,640	2,561,083
Other assets	45,919	43,207	51,700	51,057
<b>Total</b>	<b>\$ 3,828,162</b>	<b>3,103,055</b>	<b>\$ 3,439,568</b>	<b>2,691,970</b>
<b>Credit Instruments<sup>(1)</sup> (contract amounts)</b>				
Guarantees and standby letters of credit	\$ 57,478	42,290	\$ 44,006	32,178
Commitments to extend credit <sup>(2)</sup>	-	-	-	-
<b>Total</b>	<b>\$ 57,478</b>	<b>42,290</b>	<b>\$ 44,006</b>	<b>32,178</b>
<b>Derivative Financial Instruments<sup>(3)</sup> (notional amounts)</b>				
Interest rate contracts	\$ 707,000	1,812	\$ 372,000	1,650
Foreign exchange contracts	836	4	-	-
Equity contracts	14,225	272	9,005	189
<b>Total</b>	<b>\$ 722,061</b>	<b>2,088</b>	<b>\$ 381,005</b>	<b>1,839</b>
<b>Total Risk-weighted Assets</b>		<b>\$ 3,147,433</b>		<b>\$ 2,725,987</b>

(1) See Note 13 to the Consolidated Financial Statements for further details.

(2) Greater than one year only.

(3) See Note 17 to the Consolidated Financial Statements for further details.

The Office of the Superintendent of Financial Institutions ("OSFI") requires banks to measure capital adequacy in accordance with instructions for determining risk-adjusted capital and risk-weighted assets including off-balance sheet commitments. Based on the deemed credit risk of each type of asset a weighting of 0% to 100% is assigned. Published regulatory guidelines require banks to maintain a minimum ratio of capital to risk-weighted assets and off-balance sheet items of 8%, of which 4% must be core capital (Tier 1) and the remainder supplementary capital (Tier 2). However, in order to be considered well capitalized, OSFI has stated that Canadian banks need to maintain a minimum total capital adequacy ratio of 10% with a Tier 1 ratio of not less than 7%. In the Bank, Tier 1 capital is comprised entirely of common shareholders' equity and Tier 2 capital includes subordinated debentures (to the regulatory maximum amount of 50% of Tier 1 capital) and an inclusion of the general allowance for credit losses at a prescribed inclusion rate based on risk-weighted assets. OSFI has authorized the inclusion of the general allowance in Tier 2A capital to a maximum of 87.5 basis points of risk-weighted assets.

Capital funds are managed in accordance with policies and plans that are regularly reviewed and approved by the Board of Directors and which take into account forecasted capital needs and markets. The goal is to maintain adequate regulatory capital to be considered well capitalized, to protect customer deposits and to provide capacity for internally generated growth and strategic opportunities that do not otherwise

require accessing the public capital markets, while providing a satisfactory return on equity for shareholders.

At October 31, 2002 the total capital adequacy ratio was 11.4% (2001 - 12.5%) of which 8.8% (2001 - 9.3%) was Tier 1 capital. Total regulatory capital increased \$18.2 million over 2001 as a result of:

- earnings, net of dividends, of \$24.6 million;
- share capital of \$1.3 million issued upon the exercise of employee stock options;
- an increase of \$2.3 million in the general allowance for credit losses; offset by
- the redemption of two conventional debentures (\$10.0 million).

Subordinated debentures include both convertible (\$54.0 million) and conventional (\$3.1 million) debentures. The terms of the conventional debenture were renegotiated during the year and the amended debenture will reach its five year anniversary date during fiscal 2007. At the anniversary date, if the debenture is not redeemed by the Bank or renegotiated, the interest rate will change from fixed to floating and the debenture will commence straightline amortization for capital adequacy purposes over the final five year term to maturity. During 2002, two conventional debentures were redeemed at their face value plus accrued interest. Note 9 to the Consolidated Financial Statements provides more information on the terms of the debentures.

In each of January and July 2002, semi-annual dividends of \$0.20 per share were paid.

The Bank has share option plans that are provided as an incentive to officers and employees who are in a position to materially impact the longer term financial success of the Bank as measured by share price appreciation and dividend yield. Note 10 to the Consolidated Financial Statements details the number of shares under option outstanding, the weighted average exercise price and the amounts exercisable at year-end.

## RISK MANAGEMENT

### OVERVIEW

Effective risk management is central to the ability to remain financially sound and profitable and includes identifying, assessing, managing and monitoring all forms of risk. The Bank is exposed to several categories of risk including: strategic, reputation, credit, liquidity, structural (asset/liability), market, fiduciary and operational.

Senior management is responsible for establishing the framework for identifying risks and developing appropriate risk management policies and frameworks. The Board of Directors, either directly or through its committees, reviews and approves the key policies, and implements specific reporting procedures to enable them to monitor ongoing compliance over significant risk areas. At least annually a report on risks and risk management policies is presented to the Board and/or Board committees for review and assessment.

The Loans Committee of the Board, which maintains a close working relationship with the credit risk management group, is responsible for:

- the review and approval of credit risk management policies;
- loans in excess of delegated limits;
- the review and monitoring of impaired and other less than satisfactory loans; and
- the recommendation of the adequacy of the allowance for credit losses to the Audit Committee.

The Asset Liability Committee ("ALCO") provides the management oversight related to risks other than credit risk. ALCO is a management committee chaired by an Executive Vice President with the President and Chief Executive Officer ("CEO") and other senior executives as members and is responsible for:

- ensuring that risks other than credit risk are identified and assessed and appropriate policies are in place and effective;
- the establishment and maintenance of policies and programs for liquidity management and control, funding sources, investments, foreign exchange risk, interest rate risk and derivatives; and
- regular meetings to review compliance and discuss strategy respecting management of risks.

Asset liability management policies are approved and reviewed at least annually by the Board with quarterly status reporting provided to the Board.

The Operations Committee meets regularly and is made up of supervisory and management personnel from all areas of operations and is chaired by a member of senior management. This committee is responsible for developing appropriate policies and procedures, including internal controls, respecting day-to-day, routine operations.

The internal audit department performs inspections in all areas of the Bank, including CWT, and reports the results directly to senior management, the CEO and the Audit Committee.

### CREDIT RISK MANAGEMENT

Credit risk is the risk that a financial loss will be incurred due to the failure of a counterparty to discharge its contractual commitment or obligation to the Bank. This risk can relate to balance sheet assets, such as loans, as well as off-balance sheet assets such as guarantees and letters of credit. To diversify the risk, the exposure to a single borrower or associated borrowers is limited to an amount not exceeding 10% of regulatory capital.

The Bank employs and is committed to a number of important principles to manage credit exposures which include:

- a Loans Committee of the Board whose duties include approval of lending policies, establishment of lending limits for the Bank, the delegation of lending limits and the review of larger credits as well as quarterly reports prepared by management on watch list loans, impaired loans, the adequacy of the allowance for credit losses, environmental risk and diversification of the portfolio;
- delegated lending authorities which are clearly communicated to personnel engaged in the credit granting process, a defined approval process for loans in excess of those limits and the review of larger credits by a senior management group prior to recommendation to the Loans Committee of the Board;



- credit policies, guidelines and directives which are communicated to all branches and officers whose activities and responsibilities include credit granting and risk assessment;
- appointment of personnel engaged in credit granting who are qualified, experienced bankers;
- a standardized credit risk rating classification established for all credits and reviewed not less than annually;
- annual reviews of individual credit facilities (excepting consumer loans and single-unit residential mortgages);
- quarterly review of risk diversification by geographic area, industry sector and product measured against assigned portfolio limits;
- pricing of credits commensurate with risk to ensure appropriate compensation;
- management of growth within quality objectives;
- early recognition of problem accounts and immediate implementation of steps to protect the safety of Bank funds;
- independent reviews of credit valuation, risk classification and credit management procedures by the internal audit group which includes reporting the results to senior management, the CEO and the Audit Committee;
- detailed quarterly reviews of accounts rated less than satisfactory including establishment of an action plan for each account; and
- completion of a watch list report recording accounts with evidence of weakness, an impaired loan report covering loans which show impairment to the point where a loss is possible.

## Environmental Risk

The operations of the Bank do not have a material effect on the environment. However, a risk of default may occur if a borrower is unable to repay loans due to environmental clean up costs. The Bank may become directly liable for clean up costs when it is deemed to have taken control or ownership of a contaminated property. Risk assessment criteria and procedures are in place to manage environmental risks and these are communicated to lending personnel. Reports on environmental inspections and findings are reviewed by senior management and reported upon quarterly to the Board.

## Portfolio Quality

The Bank's strategy is to maintain a quality portfolio. Efforts are directed towards achieving a wide diversification, engaging experienced personnel who provide a hands on approach in credit granting, account management and quick action when problems develop. The lending focus is primarily directed to small and medium-sized businesses and to individuals with operations conducted in the four western provinces. Relationship banking, and "know your customers" are important tenets of account management. An appropriate financial return on the level of risk is fundamental. Over the past several years the Bank has also participated in larger investment grade credits (corporate loans) through participation in selected syndications, which are generally led by the major Canadian banks. In addition to being able to lend to larger companies, this initiative has also provided a degree of geographic diversification.

## Impaired Loans

Gross impaired loans decreased \$0.4 million in 2002, a 1.1% decrease. As shown in Table 9 gross impaired loans total \$35.1 million and represent 1.08% (2001-1.23%) of total outstanding loans.

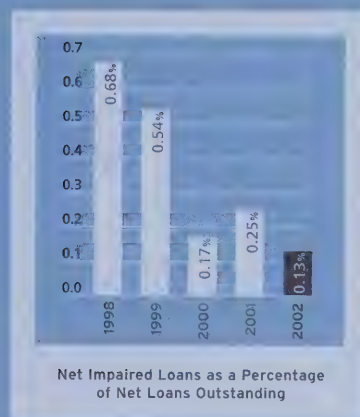
**Table 9 - Change in Gross Impaired Loans**  
(\$ thousands)

	2002	2001	2002/2001 Increase (decrease)
Gross impaired loans, beginning of year	\$ 35,480	\$ 31,097	\$ 4,383
Net additions	4,832	9,002	(4,170)
Write-offs	(5,235)	(4,619)	(616)
Total	\$ 35,077	\$ 35,480	\$ (403)
Gross Impaired Loans as a Percentage of Total Loans	1.08%	1.23%	(0.15)%

Impaired loans net of the allowance for credit losses have decreased over the past year and represent 0.13% of net loans outstanding, compared to 0.25% in 2001.

Going forward in 2003, the general trends within the portfolio are not expected to experience a material adverse change. Impaired loans will continue to be monitored closely to provide early identification of any possible adverse trends.

Table 10 shows the year over year change to the allocation of the allowance for credit losses to specific provisions by category of impaired loans and to the general allowance for credit risk.



**Table 10 – Allowance for Credit Losses**  
(\$ thousands)

	2001 Ending Balance	Write-offs, net of Recoveries <sup>(1)</sup>	Provision for Credit Losses	2002 Ending Balance
<b>Specific Provisions</b>				
Consumer and personal	\$ 443	\$ 486	\$ 324	\$ 281
Real estate	2,533	1,572	388	1,349
Industrial	1,816	1,798	2,093	2,111
Other	2,113	1,237	2,591	3,467
<b>General Allowance</b>	21,453		2,344	23,797
<b>Total</b>	\$ 28,358	\$ 5,093	\$ 7,740	\$ 31,005

(1) Recoveries in 2002 totalled \$142 (2001 – \$19).

#### Allowance For Credit Losses

The allowance for credit losses consists of \$7.2 million in specific provisions and \$23.8 million in the general allowance for credit risk with the latter now representing 0.73% of gross outstandings and 0.76% of risk-weighted assets. This compares favourably with the Bank's five year loan loss average of 0.22% (ten year average – 0.28%) which is based on the annual charges to the income statement. The five year loan loss average based only on net new specific provisions (i.e. excluding the annual increase or decrease in the general allowance for credit risk) is 0.18% (ten year average – 0.21%). The allowance as a percentage of gross impaired loans (coverage ratio) has improved to 88.4% (2001 – 79.9%). The general allowance is available to cover credit losses inherent in the portfolio which are not currently identifiable on an account by account basis. An assessment of the adequacy of the general allowance is conducted quarterly and measured against the five and ten year loan loss average. In addition, a method of applying a progressive (increasing with higher risk) loss ratio range against groups of loans of a common risk rating is utilized to test the general allowance adequacy. The general

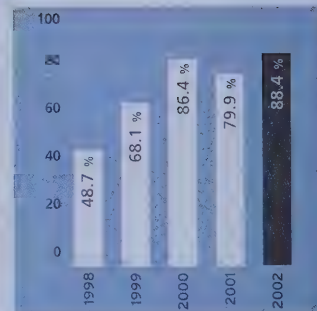
allowance would be expected to increase in strong economic times and decrease in weaker economic times as provisions are allocated to specific credits.

Policies and methodology governing the management of the general allowance are in place. During fiscal 2002 an expanded system to risk rate loans was introduced to increase the number of risk ratings from six to twelve levels and to provide additional criteria to establish the ratings. The introduction of the new risk ratings was the start of an ongoing developmental process to better identify the risks within the loan portfolio and thus enhance the evaluation of the adequacy of the general allowance. Early results from the expanded risk rating system have met expectations. Development of further methodology to support the testing of the adequacy of the general allowance will continue during fiscal 2003. A significant change to the level of the general allowance is not anticipated based on this expanded methodology, assuming no material change in the portfolio's credit quality.



### Provision for Credit Losses

For the year ended October 31, 2002, the provision for credit losses represented 0.26% of average loans. The provision for credit losses remains consistent with the five year average of 0.22%, reflecting the strong credit quality of the portfolio. The industry trend for loan losses was much higher this year. The Bank has no material exposure outside Canada or in the telecommunications, high-tech or power generation sectors.



Allowance for Credit Losses as a Percentage of Gross Impaired Loans

### Diversification of Portfolio

Total Advances Based on Location of Borrower (also see Table 5)

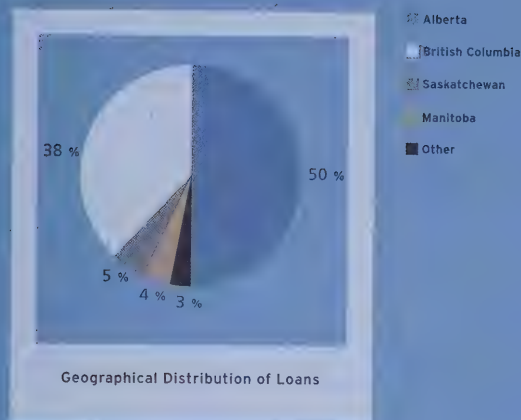
The following table illustrates the diversification in lending operations by industry sector.

Table 11 - Total Advances Based on Industry Sector

(%) October 31	2002	2001
Real estate operations	25%	20%
Construction	18	21
Consumer loans and residential mortgages <sup>(1)</sup>	12	14
Transportation and storage	8	8
Oil and gas (production)	5	6
Hotel/motel	5	5
Manufacturing	4	4
Finance and insurance	4	3
Oil and gas (service)	4	3
Other services	3	3
Logging/forestry	3	3
Wholesale trade	2	2
Retail trade	2	2
Other	5	6
Total	100%	100%

(1) Residential mortgages in this table include only single-family properties.

(2) The Bank does not engage in direct lending to the agricultural sector.



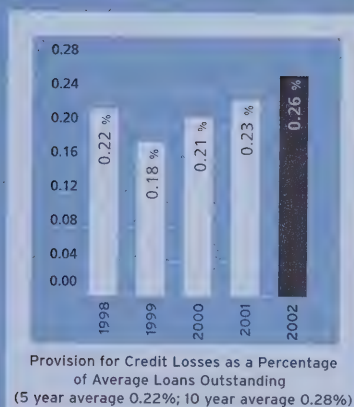
Management of the loan portfolio includes the strategy of focusing on areas of demonstrated lending expertise and avoiding high concentrations in one geographic area or industry sector. The Bank's portfolio is well diversified with a mix of corporate and personal business. Industrial lending units are set up within branches or as stand alone operations, while oil and gas production lending is conducted by specialists in the Calgary market. In addition to these areas, the Bank also has real estate divisions established in the major centres in which it operates.

#### LIQUIDITY RISK

Liquidity risk is the risk that the Bank will not have sufficient cash to meet its obligations as they become due. This risk arises from fluctuations in cash flows from lending, deposit taking, investing and other activities. Effective liquidity management ensures that adequate cash is available to honour all cash outflow obligations. Maintenance of a prudent liquidity base also provides flexibility to fund loan growth and to react to other market opportunities.

The Bank's liquidity policy includes:

- measurement and forecast of cash flows;
- maintenance of a pool of high quality liquid assets;
- a stable base of core deposits from retail and commercial customers;
- limits on single deposits and sources of deposits;
- diversification of funding sources; and
- an approved contingency plan.



Key features of liquidity management are:

- daily monitoring of expected cash inflows and outflows and tracking and forecasting the liquidity position, including the flows from off-balance sheet items, on a forward four month rolling basis;
- consideration of the term structure of assets and liabilities, with emphasis on deposit maturities, as well as expected loan fundings and other commitments to provide funds when determining required levels of liquidity; and
- separate management of the liquidity position of the Bank and CWT to ensure compliance with related party and other regulatory tests.

A schedule outlining the consolidated securities portfolio at October 31, 2002 is provided in Note 3 to the Consolidated Financial Statements. A conservative policy is maintained in this area with:

- nearly all investments limited to high quality debt securities and short-term money market instruments to meet objectives of liquidity management and to provide an appropriate return;
- specific investment criteria and procedures for purposes of management of the securities portfolio;
- regular review, monitoring and approval by ALCO of policies regarding these investments and annual review and approval by the Board of Directors; and
- quarterly reporting to the Board of Directors on the securities portfolio.



**Table 12 - Liquid Assets**  
(\$ thousands)

	2002	2001	2002/2001 Increase (decrease)
Cash	\$ 1,928	\$ 1,945	\$ (17)
Deposits with regulated financial institutions	132,038	190,978	(58,940)
Cheques in transit	53,911	39,885	14,026
<b>Total Cash Resources</b>	<b>187,877</b>	<b>232,808</b>	<b>(44,931)</b>
Securities purchased under resale agreements	66,431	75,000	(8,569)
Government of Canada treasury bills	44,418	25,743	18,675
Government of Canada and provincial bonds term to maturity 1 year or less	123,775	58,548	65,227
Government of Canada and provincial bonds term to maturity over 1 year	94,610	151,292	(56,682)
Other marketable securities	81,300	31,490	49,810
<b>Total Securities Purchased Under Resale Agreements and Marketable Securities</b>	<b>410,534</b>	<b>342,073</b>	<b>68,461</b>
<b>Total Liquid Assets</b>	<b>\$ 598,411</b>	<b>\$ 574,881</b>	<b>\$ 23,530</b>
<b>Total Assets</b>	<b>\$ 3,828,162</b>	<b>\$ 3,439,568</b>	<b>\$ 388,594</b>
<b>Liquid assets as a percentage of total assets</b>	<b>15.6%</b>	<b>16.7%</b>	<b>(1.1)%</b>
<b>Total Deposit Liabilities</b>	<b>\$ 3,429,071</b>	<b>\$ 3,042,307</b>	<b>\$ 386,764</b>
<b>Liquid assets as a percentage of total deposit liabilities</b>	<b>17.5%</b>	<b>18.9%</b>	<b>(1.4)%</b>

As shown in Table 12, liquid assets comprised of cash, interbank deposits, items in transit, securities purchased under resale agreements and marketable securities, totalled \$598 million at October 31, 2002, an increase of \$24 million from October 31, 2001. Liquid assets represented 15.6% (2001 - 16.7%) of total assets and 17.5% (2001 - 18.9%) of total deposit liabilities at that date.

Highlights of the composition of liquid assets at October 31, 2002 follow:

- maturities within one year total 79% (2001 - 71%) of liquid assets or \$473 million (2001 - \$407 million);
- Government of Canada and provincial debt securities made up 44% (2001 - 41%) of liquid assets;
- deposits with regulated financial institutions including Bankers' Acceptances were 22% (2001 - 33%) of liquid assets; and
- marketable securities now comprise 14% (2001 - 5%) of liquid assets and have increased in response to the interest rate environment and the beneficial tax treatment of dividends on preferred shares.

Included in liquid assets are securities purchased under resale agreements. These are short-term advances, typically no more than a few days in duration, to securities dealers and require the dealer to repurchase the securities comprised of treasury bills or other high quality liquid securities.

Short-term uncommitted facilities have been arranged with a number of financial institutions. The expansion of such facilities will continue to be pursued as an additional liquidity safeguard. The government insured/guaranteed mortgage and loan portfolios also represent a potential source of liquidity.

The primary source of new funding is the issuance of deposit instruments. A summary of the deposits by maturity is presented in Tables 13 and 14.

**Table 13 – Deposit Maturities Within One Year**

(\$ millions)

	Within 1 Month	1 to 3 Months	3 Months to 1 Year	Cumulative Within 1 Year
October 31, 2002				
Demand deposits	\$ 116	\$ -	\$ -	\$ 116
Notice deposits	438	-	-	438
Deposits payable on a fixed date	414	274	991	1,679
<b>Total</b>	<b>\$ 968</b>	<b>\$ 274</b>	<b>\$ 991</b>	<b>\$ 2,233</b>
October 31, 2001 Total	\$ 925	\$ 202	\$ 832	\$ 1,959

**Table 14 – Total Deposit Maturities**

(\$ millions)

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	Total
October 31, 2002						
Demand deposits	\$ 116	\$ -	\$ -	\$ -	\$ -	\$ 116
Notice deposits	438	-	-	-	-	438
Deposits payable on a fixed date	1,679	551	286	228	131	2,875
<b>Total</b>	<b>\$ 2,233</b>	<b>\$ 551</b>	<b>\$ 286</b>	<b>\$ 228</b>	<b>\$ 131</b>	<b>\$ 3,429</b>
October 31, 2001 Total	\$ 1,959	\$ 402	\$ 339	\$ 156	\$ 186	\$ 3,042

A breakdown of deposits by source is provided under the heading Deposits. Target limits by source have been established as part of the overall liquidity policy and are monitored to ensure an acceptable level of diversification in sources of funding is maintained. The Bank continues to aggressively pursue deposits through its branch network as a core funding source. However, the total dollar value of agent-generated deposits will likely continue to increase even though the goal is to decrease funding from this source as a percentage of total deposit liabilities. CWT raises new deposits mainly through notice accounts comprised primarily of cash balances held in self-directed accounts and corporate trust deposits and through the Bank's branch network. At October 31, 2002, the trust's notice account balances totalled \$89.0 million (2001 - \$70.0 million) and \$64.5 million (2001 - \$50.0 million) of CWT deposits had been raised via the Bank's branch network.

#### MARKET RISK

Market risk is the impact on earnings resulting from changes in financial market variables such as interest rates and foreign exchange rates. Market risk arises when making loans, taking deposits and making investments. The Bank itself does not undertake trading activities and, therefore, does not have risks related to such activities as market making, arbitrage or proprietary trading. The Bank's material market risks are confined to interest rates and foreign exchange as discussed below.

#### Interest Rate Risk

Interest rate risk or sensitivity can be defined as the impact on net interest income, both current and future, resulting from a change in market interest rates. This risk and potential variability in earnings arises primarily when cash flows associated with interest sensitive assets and liabilities have different repricing dates. The differentials, or interest rate gaps, arise as a result of the financial intermediation process and reflect differences in term preferences on the part of borrowers and depositors.

A positive interest rate gap exists when interest sensitive assets exceed interest sensitive liabilities for a specific maturity or repricing period. A positive gap will result in an increase in net interest income when market interest rates rise since assets are repricing earlier than liabilities. The opposite impact will occur when market interest rates fall.

To manage interest rate risk arising as a result of the financial intermediation process, ALCO establishes policy guidelines for interest rate gap positions and meets regularly to monitor the Bank's position and decide future strategy. The objective is to manage the interest rate risk within prudent guidelines. Interest rate risk policies are approved and reviewed at least annually by the Board of Directors with quarterly reporting provided to the Board as to the gap position.



Exposure to interest rate risk is controlled by managing the size of the static gap positions between interest sensitive assets and interest sensitive liabilities for future periods. Gap analysis is supplemented by computer simulation of the asset liability portfolio structure and dollar estimates of net interest income sensitivity for periods of up to one year. The interest rate gap is measured at least monthly.

**Table 15 – Asset Liability Gap Positions**  
(\$ millions)

October 31, 2002	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 year	1 Year to 5 Years	Over 5 Years	Non- interest Sensitive	Total
<b>Assets</b>								
Cash resources	\$ 23	\$ 49	\$ 55	\$ 127	\$ -	\$ -	\$ 61	\$ 188
Securities	12	47	161	220	112	13	1	346
Loans	1,697	146	446	2,289	979	10	(29)	3,249
Other assets	-	-	-	-	-	-	46	46
Off-Balance sheet swaps	10	35	405	450	271	-	-	721
Total	1,742	277	1,067	3,086	1,362	23	79	4,550
<b>Liabilities and Equity</b>								
Deposits	968	274	991	2,233	1,196	-	-	3,429
Other liabilities	-	-	-	-	-	-	65	65
Debentures	-	-	50	50	7	-	-	57
Shareholders' equity	-	-	-	-	-	-	278	278
Off-Balance sheet swaps	721	-	-	721	-	-	-	721
Total	1,689	274	1,041	3,004	1,203	-	343	4,550
Interest Rate Sensitive Gap	\$ 53	\$ 3	\$ 26	\$ 82	\$ 159	\$ 23	\$ (264)	\$ -
Cumulative Gap	\$ 53	\$ 56	\$ 82	\$ 82	\$ 241	\$ 264	\$ -	\$ -
<b>Cumulative Gap as a</b>								
Percentage of Total Assets	1.2%	1.2%	1.8%	1.8%	5.3%	5.8%	-	-
<b>October 31, 2001</b>								
Total assets	\$ 1,580	\$ 216	\$ 665	\$ 2,461	\$ 1,260	\$ 29	\$ 71	\$ 3,821
Total liabilities and equity	1,306	202	845	2,353	1,137	-	331	3,821
Interest Rate Sensitive Gap	\$ 274	\$ 14	\$ (180)	\$ 108	\$ 123	\$ 29	\$ (260)	\$ -
Cumulative Gap	\$ 274	\$ 288	\$ 108	\$ 108	\$ 231	\$ 260	\$ -	\$ -
<b>Cumulative Gap as a</b>								
Percentage of Total Assets	7.2%	7.5%	2.8%	2.8%	6.0%	6.8%	-	-

**Notes:**

- (1) Accrued interest is excluded in calculating interest sensitive assets and liabilities.
- (2) Potential prepayments of fixed rate loans and early redemption of redeemable fixed term deposits have not been estimated. Redemptions of fixed term deposits where depositors have this option are not expected to be material. The majority of fixed rate loans, mortgages and leases are either closed or carry prepayment penalties.

The gap analysis in Table 15 is a static measurement of interest rate sensitive gaps at a specific time. These gaps can change significantly in a short period of time. The impact of changes in market interest rates on earnings will depend upon the magnitude and rate of change in interest rates as well as the size and maturity structure of the cumulative interest rate gap position and management of those positions over time.

Table 15 shows the consolidated gap position at October 31, 2002 for selected time intervals. Comparative summary figures are given at October 31, 2001. Figures in brackets represent an excess of liabilities over assets or a negative gap position.

During the year, the one year and under cumulative gap decreased from 2.8% to 1.8% and the one month and under gap decreased from 7.2% to 1.2%. Over the course of the year, the positive gaps for the periods under one year were reduced in order to lessen the impact of falling interest rates and the relatively steep yield curve. Gaps remained positive, however, and the Bank's asset/liability position is expected to continue such that rising interest rates would tend to increase net interest income.

Of the \$1,679 million in fixed term deposit liabilities maturing within one year from October 31, 2002, approximately \$1,022 million (30% of total deposit liabilities) mature by April 30, 2003. The term in which maturing deposits are retained will have an impact on the future asset liability structure and hence interest rate sensitivity. Approximately \$138 million of the fixed

term deposit liabilities maturing within one month are floating rate redeemable deposits with a one year contractual maturity redeemable without penalty at any time.

The effective interest rates for each class of financial asset and liability, including off-balance sheet instruments, are shown in Table 16.

**Table 16 - Weighted Average Effective Interest Rates (%)**

	Floating Rate and Within 1 Month	1 to 3 Months	3 Months to 1 Year	Total Within 1 Year	1 Year to 5 Years	Over 5 Years	Total
<b>October 31, 2002</b>							
<b>Assets</b>							
Cash resources	2.8%	2.7%	3.1%	2.9%	-%	-%	2.9%
Securities	2.7	4.0	4.0	3.6	5.3	6.3	4.3
Loans	5.3	4.7	4.9	5.1	6.5	7.5	6.2
Off-Balance sheet swaps	2.6	3.6	3.4	3.4	4.3	-	3.7
Total	5.4	4.7	4.9	5.1	6.5	6.8	5.6
<b>Liabilities</b>							
Deposits	1.7	3.8	3.8	2.9	5.0	-	3.6
Debentures	-	-	5.5	5.5	6.2	-	5.6
Off-Balance sheet swaps	2.8	-	-	2.8	-	-	2.8
Total	2.2	3.8	3.9	2.9	5.0	-	3.5
<b>Interest Rate Sensitive Gap</b>	<b>3.2%</b>	<b>0.9%</b>	<b>1.0%</b>	<b>2.2%</b>	<b>1.5%</b>	<b>6.8%</b>	<b>2.1%</b>
<b>October 31, 2001</b>							
Total assets	5.2%	6.1%	6.4%	5.6%	7.1%	6.6%	6.1%
Total liabilities	2.5	4.8	4.9	3.6	5.5	-	4.2
<b>Interest Rate Sensitive Gap</b>	<b>2.7%</b>	<b>1.3%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>1.6%</b>	<b>6.6%</b>	<b>1.9%</b>

The estimated sensitivity of net interest income to a change in interest rates is presented in Table 17. The amounts represent the estimated change in net interest income over the time period shown resulting from a one percentage point change in interest rates. If rates increase, the effect would be an increase in net interest income while the opposite would occur if rates decrease. The estimates are based on a number of assumptions and factors, which include:

- a constant structure in the asset liability portfolio;
- interest rate changes affect interest sensitive assets and liabilities by the same amount and are applied at the appropriate repricing dates; and
- no early redemptions.

The interest sensitivity of the portfolio decreased in both absolute dollar terms and as a percentage of estimated future net interest income during the year.



**Table 17 - Estimated Sensitivity of Net Interest Income**  
As a Result of a One Percentage Point Change in Interest Rates  
(\$ thousands)

Period	2002	2001
90 days	\$ 305	\$ 678
1 year	1,842	2,353
1 year percentage change	1.8%	2.8%

It is management's intention to continue to manage the asset liability structure and interest rate sensitivity through pricing and product policies to attract appropriate assets and liabilities as well as through the use of interest rate swaps or other appropriate hedging techniques (see discussion under Derivative Financial Instruments). Assets and liabilities having a term to maturity in excess of five years are subject to specific review and control. With the exception of the subordinated debentures, such items were not material as at October 31, 2002. The subordinated debentures are discussed in Note 9 to the Consolidated Financial Statements.

#### Foreign Exchange Risk

In providing financial services to its customers, the Bank has assets and liabilities denominated in U.S. dollars. At October 31, 2002, assets denominated in U.S. dollars were 0.6% (2001 - 0.7%) of total assets and U.S. dollar liabilities were 0.7% (2001 - 0.8%) of total liabilities. Currencies other than U.S. dollars are not bought or sold other than to meet specific customer needs and therefore, the Bank has virtually no exposure to currencies other than U.S. dollars.

Foreign exchange risk arises when there is a difference between assets and liabilities denominated in U.S. dollars. Policy is established setting a limit on the difference between U.S. dollar assets and liabilities. The difference is measured daily and managed by use of U.S. dollar contracts or other means. Policy respecting foreign exchange exposure is reviewed and approved at least annually by the Board of Directors, and deviations from policy are reported to the Board and ALCO.

#### OPERATIONAL RISK

Operational risk is inherent in all business activities. It is the potential for loss as a result of external events, human error or inadequacy or failure of processes, procedures or controls. Its impact can be financial loss, loss of reputation, loss of competitive position or regulatory penalties. The Bank is exposed to operational risk from internal business activities and from activities that are outsourced. The financial measure of operational risk is actual losses incurred. No material losses occurred in 2002 or 2001.

The Bank's strategy to minimize and manage operational risk includes:

- a knowledgeable and experienced management team that is committed to the risk management policies;
- regular meetings of the Operations Committee, a management committee made up of supervisory and management personnel from all operational areas and chaired by a member of senior management, which is responsible for the development and recommendation of policies and procedures regarding day-to-day, routine operations;
- communication of the importance of effective risk management to all levels of staff through training and policy implementation;
- regular inspections for compliance and the effectiveness of procedural controls by a strong, independent internal audit team;
- centralized reporting of operating losses for risk assessment;
- implementation of policies and procedural controls appropriate to address identified risks and which include segregation of duties and built-in checks and balances;
- use of technology via automated systems with built-in controls;
- continual review and upgrade of systems and procedures; and
- updated and tested procedures and contingency plans for disaster recovery and business continuity.

In addition, the shareholders' auditors report annually on the efficiency and effectiveness of internal controls over significant risk areas and provide their report to the Audit Committee. The Bank also maintains appropriate insurance coverage through a financial institution bond policy.

## DERIVATIVE FINANCIAL INSTRUMENTS

More detailed information on the nature of off-balance sheet derivative financial instruments is shown in Note 17 to the Consolidated Financial Statements.

**Table 18 - Derivative Financial Instruments**  
(\$ thousands)

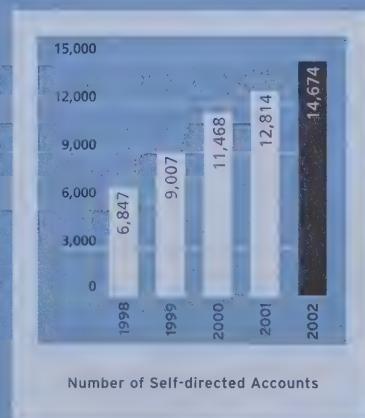
	2002	2001
<b>Notional Amounts</b>		
Interest rate contracts <sup>(1)</sup>	\$ 707,000	372,000
Foreign exchange contracts <sup>(2)</sup>	836	-
Equity contracts <sup>(3)</sup>	14,225	9,005
<b>Total</b>	<b>\$ 722,061</b>	<b>\$ 381,005</b>

- (1) Interest rate swaps are used as hedging devices to control interest rate risk. The outstanding swaps mature between November 2002 and October 2007. The total gross positive replacement cost of interest rate swaps was \$7,476 (2001 - \$7,317). This market value represents an unrealized gain, or the payment the Bank would receive if these contracts were unwound and settled at that date.
- (2) U.S. dollar foreign exchange contracts are used from time to time to manage the difference between U.S. dollar assets and liabilities. At October 31, 2002 there were US\$0.5 million (2001 - nil) forward foreign exchange contracts outstanding which mature in November and December 2002.
- (3) Equity contracts are used to offset the return paid to depositors on certain deposit products where the return is linked to a stock index. The outstanding contracts mature between March 2004 and March 2007. The total gross positive replacement cost is \$223 (2001 - \$225).

The use of interest rate contracts has increased in the past year in an effort to manage the Bank's short-term positive gap position and fund the floating rate loans preferred by customers. Continued use of interest rate swaps or other off-balance sheet hedging instruments is expected in the future for the purpose of asset liability structuring and management of interest rate risk. The Bank only enters into these off-balance sheet derivative financial instruments for its own account and does not act as an intermediary in this market. Transactions are entered into on the basis of industry standard contracts with approved counterparties subject to periodic and at least annual review. Policies regarding the use of off-balance sheet financial instruments are approved, reviewed, and monitored on a regular basis by ALCO and reviewed and approved by the Board of Directors at least annually.

## TRUST ASSETS UNDER ADMINISTRATION

Trust assets administered by CWT are not reflected in the Consolidated Balance Sheet (see also Note 14 to the Consolidated Financial Statements). They totalled approximately \$1,166 million at October 31, 2002 (2001 - \$874 million). These assets are primarily in self-directed RRSPs and RRIAs. Trust assets under administration are held in 14,674 accounts (2001 - 12,814), an increase of 15% from one year ago. Assets under administration and the related fee income are expected to increase in 2003.





## FINANCIAL STATEMENTS

### MANAGEMENT'S REPORT

The consolidated financial statements of Canadian Western Bank and related financial information presented in this annual report have been prepared by management, who are responsible for the integrity, objectivity and reliability of the data presented. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles including the requirements of the Bank Act and related rules and regulations issued by the Superintendent of Financial Institutions Canada.

The consolidated financial statements and related financial information reflect amounts which must, of necessity, be based on informed estimates and judgements of management with appropriate consideration to materiality. The financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Bank's accounting system and related internal controls are designed, and supporting procedures are maintained, to provide reasonable assurance that financial records are complete and accurate, assets are safeguarded and the Bank is in compliance with all regulatory requirements. These supporting procedures include the careful selection and training of qualified staff, defined division of responsibilities and accountability for performance, and the written communication of policies and guidelines of business conduct and risk management throughout the Bank.

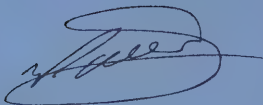
The system of internal controls is also supported by the internal audit department which carries out periodic inspections of all aspects of the Bank's operations. The Chief Inspector has full and free access to the Audit Committee and to the shareholders' auditors.

The Audit Committee, appointed by the Board of Directors, is composed of directors who are not officers or employees of the Bank. The committee is responsible for reviewing the financial statements and annual report, including management's analysis of operations and financial condition, and recommending them to the Board of Directors for approval. Other key responsibilities of the Audit Committee include meeting with management, the Chief Inspector and the shareholders' auditors to discuss the effectiveness of internal controls over the financial reporting process and the planning and results of the external audit. The Committee also meets regularly with the Chief Inspector and the shareholders' auditors without management present.

The Conduct Review Committee, appointed by the Board of Directors, is composed of directors who are not officers or employees of the Bank. Their responsibilities include reviewing related party transactions, and reporting to the Board of Directors, those transactions which may have a material impact on the Bank.

The Superintendent of Financial Institutions Canada, at least once a year, makes such examination and enquiry into the affairs of the Bank as he may deem necessary or expedient to satisfy himself that the provisions of the Bank Act, having reference to the safety of the creditors and shareholders of the Bank, are being duly observed and that the Bank is in a sound financial condition.

Deloitte & Touche LLP, the independent auditors appointed by the shareholders of the Bank, have performed an audit of the consolidated financial statements and their report follows. The shareholders' auditors have full and free access to, and meet periodically with, the Audit Committee to discuss their audit and matters arising therefrom.



Larry M. Pollock  
President and Chief Executive Officer  
November 29, 2002



Tracey C. Ball, C.A.  
Senior Vice President and Chief Financial Officer

## ADDITIONAL REPORT

### TO THE SHAREHOLDERS OF CANADIAN WESTERN BANK

We have audited the Consolidated Balance Sheet of Canadian Western Bank as at October 31, 2002 and 2001 and the Consolidated Statements of Income, Changes in Shareholders' Equity and Cash Flow for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis,

evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 2002 and 2001 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles including the accounting requirements of the Superintendent of Financial Institutions Canada.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants  
Edmonton, Alberta  
November 29, 2002



# CONSOLIDATED BALANCE SHEET

As at October 31

(\$ thousands)

	2002	2001
<b>ASSETS</b>		
<b>Cash Resources</b>		
Cash	\$ 1,928	\$ 1,945
Deposits with regulated financial institutions	132,038	190,978
Cheques and other items in transit, net	53,911	39,885
	187,877	232,808
<b>Securities</b> (Note 3)		
Issued or guaranteed by Canada	174,409	118,549
Issued or guaranteed by a province or municipality	88,394	117,034
Other securities	82,816	32,837
	345,619	268,420
<b>Loans (net of allowance for credit losses)</b> (Notes 4 & 5)		
Securities purchased under resale agreements	66,431	75,000
Residential mortgages	602,107	552,585
Other	2,580,209	2,259,055
	3,248,747	2,886,640
<b>Other</b>		
Land, buildings and equipment	(Note 6) 13,749	16,014
Other assets	(Note 7) 32,170	35,686
	45,919	51,700
<b>Total Assets</b>	<b>\$ 3,828,162</b>	<b>\$ 3,439,568</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposits</b>		
Payable on demand	\$ 115,783	\$ 78,562
Payable after notice	438,231	370,566
Payable on a fixed date	2,875,057	2,593,179
	3,429,071	3,042,307
<b>Other</b>		
Other liabilities	(Note 8) 63,878	77,873
<b>Subordinated Debentures</b> (Note 9)		
Conventional	3,126	13,126
Convertible	54,000	54,000
	57,126	67,126
<b>Shareholders' Equity</b>		
Capital stock	(Note 10) 145,203	143,942
Retained earnings	132,884	108,320
	278,087	252,262
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,828,162</b>	<b>\$ 3,439,568</b>



Jack C. Donald  
Chairman



Larry M. Pollock  
President and Chief Executive Officer

## CONSOLIDATED STATEMENT OF INCOME

For the year ended October 31

(\$ thousands, except per share amounts)

	2002	2001
<b>Interest Income</b>		
Loans	\$ 193,997	\$ 210,668
Securities	10,893	14,319
Deposits with regulated financial institutions	3,565	8,906
	208,455	233,893
<b>Interest Expense</b>		
Deposits	115,913	144,404
Debentures	3,707	3,988
	119,620	148,392
<b>Net Interest Income</b>	88,835	85,501
Provision for credit losses	(Note 5)	7,740
<b>Net Interest Income after Provision for Credit Losses</b>	81,095	79,405
<b>Other Income</b>		
Credit related	11,050	10,262
Retail services	3,944	3,397
Trust services	3,206	2,252
Other	3,936	3,847
	22,136	19,758
<b>Net Interest and Other Income</b>	103,231	99,163
<b>Non-interest Expenses</b>		
Salaries and employee benefits	34,585	30,469
Premises and equipment	10,829	10,084
Other expenses	10,574	10,150
Provincial capital taxes	1,527	1,878
	57,515	52,581
<b>Net Income before Provision for Income Taxes</b>	45,716	46,582
Provision for income taxes	(Note 11)	16,104
<b>Net Income</b>	\$ 29,612	\$ 30,145
<b>Earnings Per Common Share</b>	(Note 12)	
Basic	\$ 2.34	\$ 2.51
Diluted	(Note 2)	\$ 2.14

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended October 31

(\$ thousands)

	2002	2001
<b>Capital Stock</b>		
Balance at beginning of year	\$ 143,942	\$ 111,342
Common shares issued	(Note 10)	1,261
Balance at end of year	145,203	143,942
<b>Retained Earnings</b>		
Balance at beginning of year	108,320	83,253
Net income	29,612	30,145
Dividends	(5,048)	(4,273)
Share issue costs (2001 net of income taxes of \$534)	(Note 10)	-
Balance at end of year	132,884	108,320
<b>Total Shareholders' Equity</b>	\$ 278,087	\$ 252,262



# CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended October 31

(\$ thousands)

	2002	2001
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 29,612	\$ 30,145
Adjustments to determine net cash flows:		
Provision for credit losses	7,740	6,096
Depreciation and amortization	3,110	3,279
Future income taxes, net	(31)	8,126
Gain on sale of securities, net	(2,385)	(2,328)
Accrued interest receivable and payable, net	(5,600)	92
Current income taxes payable, net	(5,256)	8,027
Other items, net	480	(5,376)
	27,670	48,061
<b>Cash Flows from Financing Activities</b>		
Deposits, net	386,764	314,498
Debenture redemption (Note 9)	(10,000)	-
Dividends	(5,048)	(4,273)
Common shares issued, net of issue costs (Note 10)	1,261	31,261
	372,977	341,486
<b>Cash Flows from Investing Activities</b>		
Loans, net	(369,847)	(332,644)
Interest bearing deposits with regulated financial institutions, net	62,999	(22,441)
Securities, net	(74,814)	(34,676)
Land, buildings and equipment, net	(917)	(4,354)
	(382,579)	(394,115)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	18,068	(4,568)
<b>Cash and Cash Equivalents at Beginning of Year</b>	43,452	48,020
<b>Cash and Cash Equivalents at End of Year*</b>	\$ 61,520	\$ 43,452
* Represented by:		
Cash resources per Consolidated Balance Sheet	\$ 187,877	\$ 232,808
Less non-operating, interest bearing deposits with regulated financial institutions	126,357	189,356
<b>Cash and Cash Equivalents at End of Year</b>	\$ 61,520	\$ 43,452
<b>Supplemental Disclosure of Cash Flow Information</b>		
Amount of interest paid in the year	\$ 126,184	\$ 146,618
Amount of income taxes paid in the year	\$ 21,253	\$ 2,190

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2002

(\$ thousands, unless otherwise stated)

## 1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with subsection 308(4) of the Bank Act which states that, except as otherwise specified by the Office of the Superintendent of Financial Institutions Canada ("OSFI"), the financial statements are to be prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these financial statements, including the accounting requirements of OSFI, are summarized below.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

### a) Basis of Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Bank and all of its subsidiaries, after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations whose operations are controlled by the Bank and are corporations in which the Bank owns more than 50 percent of the voting shares. See Note 20 for details of the subsidiaries.

Business acquisitions are accounted for using the purchase method. The difference between the acquisition cost of an investment and the fair value of the net identifiable assets acquired represents goodwill or other identifiable intangibles. This excess amount is deferred and recorded in other assets. On November 1, 2001, the accounting for goodwill and other identifiable intangible assets was changed as required by the Canadian Institute of Chartered Accountants revised accounting standard. Under the new standard, goodwill is no longer amortized to income over time and is subject to a periodic impairment review to ensure that the fair value remains greater than, or equal to, book value. Any excess of book value over fair value is charged to the Consolidated Statement of Income in the period in which the impairment occurred. This standard was adopted prospectively but the Bank has no recorded goodwill or other identifiable intangible assets so there was no impact.

### b) Securities

Securities are held in either the investment account or the trading account.

Investment account securities are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Debt securities and preferred shares are stated at amortized cost and other equity securities are stated at cost or, if the value is permanently impaired, at net realizable value. Gains and losses realized on disposal of securities and adjustments to record any permanent impairment in value are included in other income. Amortization of premiums and discounts are reported in interest income from securities in the Consolidated Statement of Income.

Trading account securities, which are purchased for resale over a short period of time, are carried at estimated current market value. Gains and losses realized on disposal and adjustments to market value are reported in other income in the Consolidated Statement of Income in the period during which they occur.

### c) Loans

Loans are stated net of unearned income, unamortized premiums and an allowance for credit losses (Note 1(d)).

Interest income is recorded on the accrual basis except for loans classified as impaired. Loans are determined to be impaired when payments are contractually past due 90 days, or where the Bank has taken realization proceedings, or where the Bank's management is of the opinion that the loan should be regarded as impaired. An exception may be made where management determines that the loan is well secured and in the process of collection and the collection efforts are reasonably expected to result in either repayment of the loan or restoring it to a current status within 180 days from the date the payment went in arrears. All loans are classified as impaired when a payment is 180 days in arrears other than loans guaranteed or insured for both principal and interest by the Canadian government, the provinces or a Canadian government agency. These loans are classified as impaired when payment is 365 days in arrears.

Impairment is measured as the difference between the carrying value of the loan at the time it is classified as impaired and the present value of the expected cash flows (estimated realizable amount), using the interest rate inherent in the loan at the date the loan is classified as impaired. When the amounts and timing



of future cash flows cannot be reliably estimated, either the fair value of the security underlying the loan, net of any expected realization costs, or the current market price for the loan may be used to measure the estimated realizable amount. At the time a loan is classified as impaired, interest income will cease to be recognized in accordance with the loan agreement, and any uncollected but accrued interest will be added to the carrying value of the loan together with any unamortized premiums, discounts or loan fees. Subsequent payments received on an impaired loan are recorded as a reduction of the recorded investment in the loan. Impaired loans are returned to performing status when the timely collection of both principal and interest is reasonably assured and all delinquent principal and interest payments are brought current and all charges for loan impairment have been reversed.

**d) Allowance for Credit Losses**

The Bank maintains an allowance for credit losses, which in management's opinion, is adequate to absorb credit related losses in its loan portfolio. The adequacy of the allowance for credit losses is reviewed at least quarterly. The allowance for credit losses is deducted from the loan balance on the Consolidated Balance Sheet.

The allowance for credit losses consists of specific provisions and the general allowance for credit risk. Specific provisions include all the accumulated provisions for losses on identified impaired loans required to reduce the carrying value of those loans to their estimated realizable amount. The general allowance for credit risk includes provisions for future losses inherent in the portfolio that are not presently identifiable by management of the Bank on an account by account basis. The general allowance for credit risk is established by taking into consideration historical trends in the loss experience during economic cycles, the current portfolio profile, estimated losses for the current phase of the economic cycle and historical experience in the industry.

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses in the Consolidated Statement of Income is charged with an amount sufficient to keep the balance in the allowance for credit losses adequate to absorb all credit related losses.

**e) Securities Purchased Under Resale Agreements**

Securities purchased under resale agreements are secured loans as they represent a purchase of Government of Canada securities by the Bank effected with a simultaneous agreement to sell them back at a specified price on a future date, which is generally short term. Securities purchased under resale agreements are carried at cost. The difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as loan interest income in the Consolidated Statement of Income.

**f) Land, Buildings and Equipment**

Land is carried at cost. Buildings, equipment and furniture, and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated primarily using the straight-line method over the estimated useful life of the asset as follows: buildings - 20 years, equipment and furniture - 3 to 5 years, and leasehold improvements - term of lease. Gains and losses on disposal are recorded in other income in the Consolidated Statement of Income in the year of disposal.

**g) Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates prevailing at the balance sheet date. Revenues and expenses in foreign currencies are translated at the average exchange rates prevailing during the year. Realized and unrealized gains and losses on foreign currency positions are included in other income in the Consolidated Statement of Income.

**h) Loan Fees**

Loan fees, net of directly related costs, are amortized to interest income over the expected term of the loan when such fees are considered to be an integral part of the return earned on the particular loan. Loans are stated net of unamortized fees.

**i) Income Taxes**

The Bank follows the asset and liability method of accounting for income taxes whereby current income taxes are recognized for the estimated income taxes payable for the current year. Future tax assets and liabilities represent the cumulative amount of tax applicable to temporary differences between the carrying amount of the assets and liabilities, and their values for tax purposes. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Changes in future income taxes related to a change in tax rates are recognized in income in the period of the tax rate change. All future income tax assets are expected to be realized in the normal course of operations.

**j) Derivative Financial Instruments**

Interest rate, foreign exchange and equity contracts such as futures, options and swaps are entered into for asset liability management purposes. These contracts are designated and function as hedges and are accounted for on the accrual basis. Net accrued interest receivable/payable and deferred gains/losses are recorded in other assets or other liabilities, as appropriate. Interest income/expense and gains/losses are recognized as interest income or interest expense, as appropriate, over the hedged period.

**k) Earnings per Common Share**

Basic earnings per common share is calculated based on the average number of common shares outstanding during the year. Diluted earnings per share is calculated based on the treasury stock method which assumes that any proceeds from the exercise of in-the-money stock options would be used to purchase the Bank's common shares at the average market price during the year. Convertible debentures are assumed to be converted into common shares at the beginning of the year, or at the date the debenture was issued if later, and all related income statement charges are added back to earnings.

**l) Stock Option Plans**

The Bank has stock option plans which are described in Note 10. The Bank currently follows the intrinsic value method of accounting for stock options and no expense is recognized when stock options are issued to the employees. Any consideration paid by employees on exercise of stock options is credited to share capital on the Consolidated Balance Sheet. All options granted on or after November 1, 2002 will be accounted for using the fair value method. The fair value of the future grants, determined from an option pricing model, will be recognized over the applicable vesting period as compensation expense in the Consolidated Statement of Income with an offsetting credit to shareholders' equity in the Consolidated Balance Sheet.

**m) Employee Future Benefits**

All employee future benefits are accounted for on an accrual basis.

**2. CHANGE IN ACCOUNTING POLICY - EARNINGS PER COMMON SHARE**

Effective November 1, 2001, the Bank adopted the new accounting standard on earnings per share as required by the Canadian Institute of Chartered Accountants and described in Note 1(k). The new standard requires the use of the treasury stock method, whereby the proceeds received from the exercise of stock options are assumed to be used to repurchase shares. Prior to November 1, 2001, the imputed earnings method of calculating diluted earnings per share was used which assumed that exercise proceeds were invested to earn a return.

The new method was applied retroactively with restatement of the prior year. Under the previous method, diluted earnings per share were \$0.05 higher for the year ended October 31, 2001.



### 3. SECURITIES

The analysis of securities at carrying value, by type and maturity is as follows:

	Maturities				2002	2001
	Within 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years	Total Book Value	Total Book Value
<b>Securities Issued or Guaranteed by:</b>						
Canada	\$ 131,090	\$ 18,833	\$ 17,646	\$ 6,840	\$ 174,409	\$ 118,549
A province or municipality	37,103	22,776	28,515	-	88,394	117,034
<b>Other Debt Securities</b>						
Floating rate notes	-	-	-	1,000	1,000	1,000
Other debt	14,553	-	-	-	14,553	-
<b>Equity Securities</b>						
Preferred shares	36,175	4,632	19,346	6,594	66,747	31,490
Other equity	-	-	-	516 <sup>(2)</sup>	516	347
<b>Total<sup>(1)</sup></b>	<b>\$ 218,921</b>	<b>\$ 46,241</b>	<b>\$ 65,507</b>	<b>\$ 14,950</b>	<b>\$ 345,619</b>	<b>\$ 268,420</b>

(1) All securities are held in the investment account.

(2) Includes securities with no specific maturity.

The analysis of unrealized gains and losses on investment securities is as follows:

	2002				2001			
	Book Value	Unrealized Gains	Unrealized Losses	Estimated Market Value	Book Value	Unrealized Gains	Unrealized Losses	Estimated Market Value
<b>Securities Issued or</b>								
<b>Guaranteed by:</b>								
Canada	\$ 174,409	\$ 1,367	\$ 15	\$ 175,761	\$ 118,549	\$ 1,169	\$ 1	\$ 119,717
A province or municipality	88,394	1,440	3	89,831	117,034	4,554	-	121,588
<b>Other Debt Securities</b>								
Floating rate notes	1,000	-	-	1,000	1,000	-	-	1,000
Other debt	14,553	1	4	14,550	-	-	-	-
<b>Equity Securities</b>								
Preferred shares	66,747	628	268	67,107	31,490	29	148	31,371
Other equity	516	70	-	586	347	26	-	373
<b>Total</b>	<b>\$ 345,619</b>	<b>\$ 3,506</b>	<b>\$ 290</b>	<b>\$ 348,835</b>	<b>\$ 268,420</b>	<b>\$ 5,778</b>	<b>\$ 149</b>	<b>\$ 274,049</b>

### 4. LOANS

Outstanding gross loans and impaired loans, net of allowances for credit losses, are as follows:

	2002				2001			
	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans	Gross Amount	Gross Impaired Amount	Specific Allowance	Net Impaired Loans
<b>Securities purchased under</b>								
resale agreements	\$ 66,431	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -	\$ -
Consumer and personal	395,900	1,427	281	1,146	401,153	2,369	443	1,926
Real estate	1,230,756	6,424	1,349	5,075	1,003,148	16,483	2,533	13,950
Industrial	521,619	11,459	2,111	9,348	509,640	6,120	1,816	4,304
Other	1,065,046	15,767	3,467	12,300	926,057	10,508	2,113	8,395
<b>Total</b>	<b>\$ 3,279,752</b>	<b>\$ 35,077</b>	<b>\$ 7,208</b>	<b>27,869</b>	<b>\$ 2,914,998</b>	<b>\$ 35,480</b>	<b>\$ 6,905</b>	<b>28,575</b>
<b>General allowance<sup>(1)</sup></b>				<b>(23,797)</b>				<b>(21,453)</b>
<b>Net impaired loans after</b>								
<b>general allowance</b>				<b>\$ 4,072</b>				<b>\$ 7,122</b>

(1) The general allowance for credit risk is available for the total loan portfolio.

(2) Impaired loans include foreclosed real estate assets held for sale with a gross carrying value of \$11 (2001 - \$826) and a related specific allowance of nil (2001 - \$146).

At October 31, 2002 other past due loans totalled \$29 (2001 - \$nil). Other past due loans are loans where payment of interest or principal is contractually 90 - 180 days in arrears but are not classified as impaired because they are well secured and considered fully collectible.

During the year interest recognized as income on impaired loans totalled \$1,460 (2001 - \$1,320).

## 5. ALLOWANCE FOR CREDIT LOSSES

The following table shows the changes in the allowance for credit losses during the year.

	2002			2001		
	Specific Provisions	General Allowance for Credit Risk	Total	Specific Provisions	General Allowance for Credit Risk	Total
Balance at beginning of year	\$ 6,905	\$ 21,453	\$ 28,358	\$ 5,947	\$ 20,915	\$ 26,862
Provision for credit losses	5,396	2,344	7,740	5,558	538	6,096
Write-offs	(5,235)	-	(5,235)	(4,619)	-	(4,619)
Recoveries	142	-	142	19	-	19
Balance at end of year	\$ 7,208	\$ 23,797	\$ 31,005	\$ 6,905	\$ 21,453	\$ 28,358

The Bank has virtually no loans booked outside of Canada and therefore has no country risk provisions.

## 6. LAND, BUILDINGS AND EQUIPMENT

	2002		2001	
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Net Book Value
Land	\$ 2,624	\$ -	\$ 2,624	\$ 2,753
Buildings	3,021	2,014	1,007	1,242
Equipment and furniture	16,685	11,344	5,341	6,467
Leasehold improvements	8,928	4,151	4,777	5,552
Total	\$ 31,258	\$ 17,509	\$ 13,749	\$ 16,014

Depreciation and amortization for the year amounted to \$3,110 (2001 - \$3,085)

## 7. OTHER ASSETS

	2002	2001
Accrued interest receivable	\$ 13,974	\$ 14,938
Future income tax asset (Note 11)	6,669	6,777
Prepaid expenses	6,419	6,254
Accounts receivable	2,192	3,389
Deferred financing costs <sup>(1)</sup>	884	1,047
Taxes receivable	-	1,385
Other	2,032	1,896
Total	\$ 32,170	\$ 35,686

(1) The Consolidated Statement of Income includes amortization of deferred financing costs in interest expense of \$150 (2001 - \$150) and in other expenses of \$13 (2001 - \$13).



## 8. OTHER LIABILITIES

	2002	2001
Accrued interest payable	\$ 52,826	\$ 59,391
Taxes payable	5,346	11,987
Accounts payable	4,345	5,087
Deferred revenue	545	708
Future income tax liability	(Note 11) 223	362
Other	593	338
<b>Total</b>	<b>\$ 63,878</b>	<b>\$ 77,873</b>

## 9. SUBORDINATED DEBENTURES

Each of the following qualifies as a bank debenture under the Bank Act and is subordinate in right of payment to all deposit liabilities. All redemptions are subject to the approval of OSFI. The convertible debentures are financial instruments which have both debt and equity components.

The recommendation issued by the Canadian Institute of Chartered Accountants to account for these components separately was considered but the value assignable to the conversion option at the date of issue was deemed to be immaterial in each case.

	Interest Rate	Maturity Date	2002	2001
<b>Conventional<sup>(1)</sup></b>				
CIC Industrial Interests Inc. (an agency of the Province of Saskatchewan) <sup>(2)</sup>	6.850%	June 30, 2012	\$ 3,126	\$ 3,126
The Province of Alberta <sup>(3)</sup>	6.660%	March 31, 2007	-	5,000
CLIC Investments (Canada) Inc. <sup>(3)</sup>	6.415%	July 31, 2007	-	5,000
			3,126	13,126
<b>Convertible</b>				
5.50% convertible debentures <sup>(4)</sup>	5.500%	March 31, 2008	50,000	50,000
Crown Life Insurance Company <sup>(5)</sup>	5.700%	July 31, 2009	4,000	4,000
			54,000	54,000
<b>Total</b>			<b>\$ 57,126</b>	<b>\$ 67,126</b>

- (1) Each of the conventional debentures had an original ten year term with a fixed interest rate for the first five years. Thereafter, unless the terms are amended or the debenture is redeemed by the Bank, interest will be payable at a rate equal to the Canadian Dollar CDOR 90 day Bankers' Acceptance Rate plus 1%.
- (2) On June 30, 2002, the fixed interest rate was amended to 6.85% from 6.59% effective August 1, 2002 to July 31, 2007 and the term was extended to June 30, 2012 from June 30, 2007.
- (3) During the year, these conventional debentures were redeemed by the Bank, with OSFI's approval, at face value plus accrued interest on their five year anniversary.
- (4) These debentures are convertible into common shares at the option of the holder at any time prior to maturity, or the date specified for conversion by the Bank, whichever is earlier, at a conversion price of \$30.50 per share (1,639,344 shares). At any time after March 31, 2003 the debentures are convertible by the Bank.
- (5) This debenture is convertible into common shares, at the option of the holder, at any time prior to maturity. The Bank may redeem the debenture after July 31, 2004. The number of shares issued at conversion will be determined based on a \$25.00 per share conversion price (160,000 shares).

## 10. CAPITAL STOCK

### Authorized:

An unlimited number of common shares without nominal or par value

33,964,324 class A shares without nominal or par value

25,000,000 first preferred shares without nominal or par value, issuable in series

### Issued and fully paid:

	2002		2001	
	Number of Shares	Amount	Number of Shares	Amount
<b>Common shares</b>				
Outstanding at beginning of year	12,560,348	\$ 143,942	11,216,416	\$ 111,342
Issued on exercise of options	99,024	1,261	243,932	3,175
Issued on equity offering	-	-	1,100,000	29,425
Outstanding at end of year	12,659,372	\$ 145,203	12,560,348	\$ 143,942

On April 3, 2001, the Bank completed an issue of 1,100,000 common shares. Gross cash proceeds totalled \$29,425 and \$805 was charged to retained earnings for share issue expenses, net of future income taxes.

The Bank has subordinated debentures which are convertible to common shares of the Bank as more fully described in Note 9.

The Bank also has authorized 1,167,849 common shares (2001 - 1,126,873) for issuance under option plans. Of the amount authorized, options exercisable into 1,129,815 shares (2001 - 1,077,783) are issued and outstanding. The options generally vest within two years and are exercisable at a fixed price equal to the average of the market price on the day of and the four days preceding the grant. All options expire within ten years of date of grant. Outstanding options expire on dates ranging from June 2003 to December 2007. The details of and changes in the issued and outstanding options follow:

	2002		2001	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Options</b>				
Balance at beginning of year	1,077,783	\$ 17.56	1,039,870	\$ 14.28
Granted	159,806	26.81	289,445	25.50
Exercised	(99,024)	12.74	(243,932)	13.02
Forfeited	(8,750)	18.59	(7,600)	17.94
Balance at end of year	1,129,815	\$ 19.28	1,077,783	\$ 17.56
<b>Exercisable at end of year</b>	<b>658,609</b>	<b>\$ 15.74</b>	<b>389,669</b>	<b>\$ 14.67</b>

Further details relating to stock options outstanding and exercisable follow:

	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	
<b>Range of exercise prices</b>						
\$8.73 to \$10.25	210,843	1.8	\$ 10.12	210,843	\$ 10.12	
\$12.93 to \$16.01	156,871	3.8	13.12	156,871	13.12	
\$18.18 to \$20.44	315,700	3.7	19.00	180,550	19.15	
\$23.43 to \$24.79	119,345	2.7	24.61	110,345	24.62	
\$26.12 to \$28.23	327,056	3.3	26.47	0	-	
	1,129,815	3.2	\$ 19.28	658,609	\$ 15.74	



## 11. INCOME TAXES

Income taxes consist of the following:

	2002	2001
<b>Consolidated Statement of Income</b>		
Current	\$ 16,135	\$ 8,311
Future	(31)	6,876
	16,104	15,187
Future federal and provincial tax rate reductions	-	1,250
Provision for income taxes	16,104	16,437
<b>Shareholders' Equity</b>		
Income tax benefit related to share issue expenses	-	(534)
<b>Total income taxes</b>	<b>\$ 16,104</b>	<b>\$ 15,903</b>

A reconciliation of the statutory tax rates and income tax that would be payable at these rates to the effective income tax rates and provision for income taxes that is reported in the Consolidated Statement of Income is as follows:

	2002		2001	
Combined Canadian federal and provincial income taxes and statutory tax rate	\$ 18,401	40.3%	\$ 20,341	43.7 %
Increase (decrease) arising from:				
Unclaimed tax deductions from prior years	(2,059)	(4.5)	-	-
Tax-exempt income	(1,422)	(3.1)	(281)	(0.6)
Deferred revenue from unclaimed deductions for tax	-	-	(4,100)	(8.8)
Large corporations tax	308	0.7	444	1.0
Other	876	1.8	(1,217)	(2.6)
	16,104	35.2	15,187	32.7
Future federal and provincial tax rate reductions <sup>(1)</sup>	-	-	1,250	2.7
<b>Provision for income taxes and effective tax rate</b>	<b>\$ 16,104</b>	<b>35.2%</b>	<b>\$ 16,437</b>	<b>35.4%</b>

(1) Future federal and provincial tax rate reductions represent the write-down of future income tax assets to reflect corporate income tax rate reductions enacted for accounting purposes.

Future income tax balances are comprised of the following:

	2002	2001
<b>Net Future Income Tax Asset</b>		
Allowance for credit losses	\$ 8,577	\$ 8,122
Other temporary differences	(1,908)	(1,345)
	\$ 6,669	\$ 6,777
<b>Net Future Income Tax Liability of Subsidiary</b>		
Allowance for credit losses	\$ (374)	\$ (288)
Other temporary differences	597	650
	\$ 223	\$ 362

The Bank has approximately \$11,840 (2001 - \$11,796) of capital losses which are available to apply against future capital gains and have no expiry date. The tax benefit of these losses has not been recognized in income.

## 12. EARNINGS PER COMMON SHARE

The calculation of earnings per common share is as follows:

	2002	2001
<b>Numerator</b>		
Net income - basic	\$ 29,612	\$ 30,145
Dilutive instrument:		
Conversion of debentures <sup>(1)</sup>	2,010	2,036
<b>Net income - diluted</b>	<b>\$ 31,622</b>	<b>\$ 32,181</b>
<b>Denominator</b>		
Weighted average number of common shares outstanding - basic	12,628,938	12,000,926
Dilutive instruments:		
Conversion of debentures (Note 9)	1,799,344	1,799,344
Employee stock options <sup>(2)</sup>	341,075	467,395
<b>Weighted average number of common shares outstanding - diluted</b>	<b>14,769,357</b>	<b>14,267,665</b>
<b>Earnings per Common Share</b>		
Basic	\$ 2.34	\$ 2.51
Diluted	\$ 2.14	\$ 2.26

(1) Net income is adjusted by the incremental net of tax earnings as if the convertible debentures were converted into common shares at the beginning of the year.

(2) The denominator excludes those employee stock options where the exercise price is greater than the average market price.

## 13. CONTINGENT LIABILITIES AND COMMITMENTS

### a) Credit Instruments

In the normal course of business, the Bank enters into various commitments and has contingent liabilities which are not reflected in the Consolidated Balance Sheet. These items are reported below and are expressed in terms of the contractual amount of the related commitment.

	2002	2001
<b>Credit Instruments</b>		
Guarantees and standby letters of credit	\$ 57,478	\$ 44,006
Commitments to extend credit	613,098	556,383
<b>Total</b>	<b>\$ 670,576</b>	<b>\$ 600,389</b>

Guarantees and standby letters of credit are issued on behalf of clients to third party beneficiaries as part of normal business operations. In the event of a call on any of these instruments, the Bank has recourse against its client. Issuance of guarantees and standby letters of credit is subject to the same credit assessment, approval, monitoring and control procedures as the extension of direct loans. Losses, if any, resulting from these transactions are not expected to be material.

Commitments to extend credit to customers also arise in the normal course of business and includes undrawn availability under lines of credit and commercial operating loans of \$266 million (2001 - \$239 million) and recently authorized but unfunded loan commitments of \$347 million (2001 - \$317 million). In the majority of instances, availability of undrawn

commercial commitments is subject to the borrower meeting specified financial tests or other covenants regarding completion or satisfaction of certain conditions precedent. It is also usual practice to include the right to review and withhold funding in the event of a material adverse change in the financial condition of the borrower. From a liquidity perspective, undrawn credit authorizations will be funded over time with draws in many cases extending over a period of months. In some instances authorizations are never advanced or may be reduced because of changing requirements. The balance of commitments to extend credit shown in the table above does not account for principal drawdowns or paybacks that occur in the normal course of operations. Revolving credit authorizations are subject to repayment which on a pooled basis also decreases liquidity risk.



**b) Lease Commitments**

The Bank has obligations under long-term non-cancellable leases for the rental of premises and office equipment. Minimum future lease commitments for each of the five succeeding years and thereafter are as follows:

2003	\$ 4,240
2004	4,162
2005	3,718
2006	3,631
2007	3,327
2008 and thereafter	8,892
Total	\$ 27,970

**14. TRUST ASSETS UNDER ADMINISTRATION**

Trust assets under administration of \$1,166,489 (2001 - \$873,538) represent assets held for personal and corporate clients, administered by a subsidiary, and are kept separate from the subsidiary's own assets. Trust assets under administration are not reflected in the Consolidated Balance Sheet.

**15. RELATED PARTY TRANSACTIONS**

The Bank makes loans, primarily residential mortgages, to its officers and employees at various preferred rates and terms. The total amounts outstanding for these type of loans are \$20,969 (2001 - \$18,086).

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value represents the estimated consideration that would be agreed upon in a current transaction between knowledgeable, willing parties who are under no compulsion to act. The best evidence of fair value is a quoted market price. However, most of the Bank's financial instruments lack an available trading market as they are not typically exchanged. Therefore, these instruments have been valued assuming they will not be sold, using present value or other suitable techniques and are not necessarily representative of the amounts realizable in an immediate settlement of the instrument.

Changes in interest rates are the main cause of changes in the fair value of the Bank's financial instruments. The carrying value of the majority of the financial instruments is not adjusted to reflect increases or decreases in fair value due to interest rate changes as the Bank's intention is to realize their value over time by holding them to maturity. The carrying value of financial instruments held for trading purposes would be continually adjusted to reflect fair value. At October 31, 2002 and 2001 there were no financial instruments held for trading purposes.

The table below sets out the fair values of on-balance sheet financial instruments and off-balance sheet derivative instruments using the valuation methods and assumptions referred to below the table.

	2002			2001		
	Book Value	Fair Value	Fair Value Over(Under)	Book Value	Fair Value	Fair Value Over(Under)
<b>Assets</b>						
Cash resources	\$ 187,877	\$ 187,877	\$ -	\$ 232,808	\$ 232,808	\$ -
Securities (Note 3)	345,619	348,835	3,216	268,420	274,049	5,629
Loans <sup>(1)</sup>	3,246,033	3,258,458	12,425	2,882,636	2,907,653	25,017
Other assets <sup>(2)</sup>	18,198	18,198	-	19,474	19,474	-
<b>Liabilities</b>						
Deposits <sup>(1)</sup>	3,428,634	3,472,306	43,672	3,042,307	3,091,461	49,154
Other liabilities <sup>(3)</sup>	62,693	62,693	-	76,610	76,610	-
Subordinated debentures	57,126	58,031	905	67,126	69,729	2,603
<b>Derivative Financial Instruments</b>						
Net asset (Note 17)			\$ 6,707			\$ 6,807

The table does not include assets and liabilities that are not considered financial instruments, such as land, buildings and equipment.

(1) Loans and deposits exclude deferred premiums which are not financial instruments.

(2) Other assets exclude future income tax asset, prepaid expenses, financing costs and other items which are not financial instruments.

(3) Other liabilities exclude future income tax liability, deferred revenue and other items which are not financial instruments.

(4) For further commentary on interest rates associated with financial assets and liabilities, including off-balance sheet instruments, refer to the Market Risk section of Management's Discussion and Analysis of Operations and Financial Condition which includes the asset liability gap position and effective interest rates.

The methods and assumptions used to estimate the fair values of on-balance sheet financial instruments are as follows:

- cash resources, other assets and other liabilities are assumed to approximate their carrying values, due to their short-term nature;
- securities are assumed to be equal to the estimated market value of securities provided in Note 3. These values are based on quoted market prices, if available. Where a quoted market price is not readily available, other valuation techniques are used to estimate fair value;
- loans reflect changes in the general level of interest rates which have occurred since the loans were originated and are net of the allowance for credit losses. For floating rate loans, fair value is assumed to be equal to book value as the interest rates on these loans automatically reprice to market. For all other loans, fair value is estimated by discounting the expected future cash flows of these loans at current market rates for loans with similar terms and risks;

- deposits with no stated maturity are assumed to be equal to their carrying values. The estimated fair values of fixed rate deposits are determined by discounting the contractual cash flows at current market rates for deposits of similar terms; and
- the fair values of subordinated debentures are determined by reference to current market prices for debt with similar terms and risks.

Fair values are based on management's best estimates based on market conditions and pricing policies at a certain point in time. The estimates are subjective and involve particular assumptions and matters of judgement and as such may not be reflective of future fair values.



## 17. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into off-balance sheet derivative financial instruments for risk management purposes.

Interest rate swaps and interest rate floors (or caps) are used as hedging devices to control interest rate risk. The Bank only enters into these interest rate derivative instruments for its own account and does not act as an intermediary in this market. The credit risk is limited to the amount of any adverse change in interest rates applied on the notional contract amount should the counterparty default. Equity contracts are used to offset the return paid to depositors on certain deposit products where the return is linked to a stock index. The credit risk is limited to the average return on an equity index applied on the notional contract amount should the counterparty default. The principal amounts are not exchanged and hence are not at risk. Approved counterparties and maximum notional limits are established and monitored by the Asset Liability Committee of the Bank.

At the present time it is policy to undertake foreign exchange transactions only for the purposes of meeting needs of clients and of day to day business. Foreign exchange markets are not speculated in by taking a trading position in currencies.

Maximum exposure limits are established and monitored by the Asset Liability Committee and are defined by allowable unhedged amounts. The position is managed within the allowable target range by spot and forward transactions or other hedging techniques. Exposure to foreign exchange risk is not material to the Bank's overall position.

The following table summarizes the off-balance sheet financial instrument portfolio and the related credit risk. Notional amounts represent the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts are not recorded on the Consolidated Balance Sheet. They represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such instruments. The replacement cost represents the cost of replacing, at current market rates, all contracts with a positive fair value. The future credit exposure represents the potential for future changes in value and is based on a formula prescribed by OSFI. The credit risk equivalent is the sum of the future credit exposure and the replacement cost. The risk-weighted balance represents the credit risk equivalent weighted according to the credit worthiness of the counterparty as prescribed by OSFI.

	2002					2001				
	Notional Amount	Replace- ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk- weighted Balance	Notional Amount	Replace- ment Cost	Future Credit Exposure	Credit Risk Equivalent	Risk- weighted Balance
<b>Interest Rate Contracts</b>										
Interest rate swaps	\$707,000	\$ 7,476	\$ 1,585	\$ 9,061	\$ 1,812	\$372,000	\$ 7,317	\$ 935	\$ 8,252	\$ 1,650
Equity Contracts	14,225	223	1,138	1,361	272	9,005	225	720	945	189
Foreign Exchange Contracts <sup>(1)</sup>	836	12	8	20	4	-	-	-	-	-
<b>Total</b>	<b>\$ 722,061</b>	<b>\$ 7,711</b>	<b>\$ 2,731</b>	<b>\$ 10,442</b>	<b>\$ 2,088</b>	<b>\$381,005</b>	<b>\$ 7,542</b>	<b>\$ 1,655</b>	<b>\$ 9,197</b>	<b>\$ 1,839</b>

(1) The Bank has contracted to deliver United States dollars in exchange for Canadian dollars.

The following table shows the off-balance sheet financial instruments split between those contracts that have a positive fair value (favourable contracts) and those that have a negative fair value (unfavourable contracts).

	2002				2001			
	Favourable Contracts (Assets)		Unfavourable Contracts (Liabilities)		Favourable Contracts (Assets)		Unfavourable Contracts (Liabilities)	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
<b>Interest Rate Contracts</b>								
Interest rate swaps	\$ 647,000	\$ 7,476	\$ 60,000	\$ 66	\$ 352,000	\$ 7,317	\$ 20,000	\$ 12
<b>Equity Contracts</b>	1,610	223	12,615	938	1,610	225	7,395	723
<b>Foreign Exchange Contracts</b>	836	12	-	-	-	-	-	-
<b>Total</b>	\$ 649,446	\$ 7,711	\$ 72,615	\$ 1,004	\$ 353,610	\$ 7,542	\$ 27,395	\$ 735

The aggregate contractual or notional amount of the off-balance sheet financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of these financial assets and liabilities can fluctuate significantly from time to time. The average fair values of the off-balance sheet financial instruments on hand during the year are set out in the following table.

	2002	2001
Favourable off-balance sheet financial instruments (assets)	\$ 6,020	\$ 2,925
Unfavourable off-balance sheet financial instruments (liabilities)	\$ 1,340	\$ 598

The following table summarizes maturities of off-balance sheet financial instruments and weighted average interest rates paid and received on interest rate contracts.

	2002				2001			
	1 year or less		Over 1 to 5 years		1 year or less		Over 1 to 5 years	
	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate	Notional Amount	Contractual Interest Rate
<b>Interest Rate Contracts</b>								
Interest rate swaps - receive fixed amounts <sup>(1)</sup>	\$ 390,000	3.13%	\$ 317,000	4.45%	\$ 185,000	4.60%	\$ 187,000	5.01%
<b>Equity Contracts<sup>(1)(2)</sup></b>	-		14,225		-		9,005	
<b>Foreign Exchange Contracts<sup>(3)</sup></b>	836		-		-		-	
<b>Total</b>	\$ 390,836		\$ 331,225		\$ 185,000		\$ 196,005	

(1) The Bank pays (floating) interest amounts based on the one month (30 day) Canadian Bankers' Acceptance rate.

(2) The contractual interest rate is not meaningful for equity contracts. The Bank receives amounts based on the increase in an equity index.

(3) The contractual interest rate is not applicable for foreign exchange contracts.



## 18. RISK MANAGEMENT

As part of the Bank's risk management practices, the risks that are significant to our business are identified, monitored and controlled. These risks include credit risk, liquidity risk, market risk, and operational risk. Descriptions of the nature of these risks and how they are managed is provided in the commentary on pages 35 to 44 of Management's Discussion and Analysis of Operations and Financial Condition.

Information on specific measures of risk included in the consolidated financial statements is included in these notes for the allowance for credit losses, derivative financial instruments and fair value of financial instruments. Additional information on interest rate sensitivity and the effective interest rates on financial instruments is provided on pages 41 to 44 of Management's Discussion and Analysis of Operations and Financial Condition.

## 19. SEGMENTED INFORMATION

The Bank operates principally in personal and commercial banking in Canada. Personal and commercial banking includes the operations of the Bank and its trust subsidiary which provides a wide range of banking and trust services to retail and personal clients and commercial business clients primarily in western Canada.

## 20. SUBSIDIARIES

Canadian Western Bank Subsidiaries

(annexed in accordance with subsection 308 (3) of the Bank Act)

October 31, 2002

	Address of Head Office	Carrying Value of Voting Shares Owned by the Bank <sup>(1)</sup>	Percentage of Issued and Outstanding Voting Shares Owned by the Bank
Canadian Western Trust Company	10303 Jasper Avenue Edmonton, Alberta	\$ 13,776	100%
CWB Canadian Western Financial Ltd.	10303 Jasper Avenue Edmonton, Alberta	\$ -	100%

(1) The carrying value of voting shares is stated at the Bank's equity in the investments.

## 21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

# CORPORATE GOVERNANCE

## INTRODUCTION

Sound and effective corporate governance has always been a priority for Canadian Western Bank. The Board of Directors and management of the Bank are committed to govern and maintain the Bank's operations effectively and efficiently within its regulatory environment. The Bank's corporate governance policies are designed to strengthen the ability of the Board to effectively supervise management and enhance long-term shareholder value.

The Board's Corporate Governance & Human Resources Committee provides direction, monitors compliance and makes recommendations to the Board on the optimum approach to governance issues to enhance corporate performance and promote ongoing improvement in Board effectiveness.

## THE BOARD AND BOARD COMMITTEES

The Board is currently comprised of thirteen members. The number of directors reflects the desire to have the members represent the geographical jurisdictions in which the Bank operates and the need to fill the memberships of the two required committees, the Audit and Conduct Review Committees, and the other board committees which are the Loans Committee and the Corporate Governance & Human Resources Committee. The Board has reviewed the status of each of its directors and determined if they are "affiliated" (as defined by the affiliation rules set forth in the Bank Act (the "Act")) or "unrelated", as defined in the Toronto Stock Exchange ("TSX") guidelines on corporate governance. As a result of this review, the Board has determined that one of the directors is affiliated (the CEO) and he is also the only inside director. All other directors are "unrelated".

At the time of appointment to the Board, at least 75 percent of the board members must be resident Canadians and no more than four members may be employees of the Bank. Currently the composition is well within Bank policy as only two board members are non-resident (15%) and the CEO is the only employee on the Board. The Chairman is an independent director and is appointed annually by the members of the Board. Responsibilities not delegated to senior management or to a committee of the Board remain those of the full Board. The Board expects all significant risks and internal controls to be identified and reported upon by senior management to the Board and/or its committees. Members of the Board, who are not also employees, are required to own common shares of the Bank equivalent to two times their annual retainers.

The Board holds four regular meetings each year, as well as additional meetings as required. Most committees meet quarterly and all meet annually at a minimum. A meeting agenda matrix is issued to ensure meetings of the Board and its committees are efficient and complete.

The Board of Directors as a whole has expressly assumed responsibility for developing the Bank's approach to governance issues although the Corporate Governance & Human Resources Committee plays a key role by recommending and reporting on governance issues to the Board. In addition, certain governance issues have been delegated to other committees of the Board.

The Act contains several sections dealing with the governance of a bank through its board of directors. These sections prescribe matters such as limitations on the number of directors who can be affiliated or non-resident, certain powers that must be transacted by the full Board, and requirements to establish both an audit committee and a conduct review committee. The Act also prescribes certain minimum benchmarks for board and committee membership, quorums and the transaction of business by the Board. The three encompassing duties in the Act that form the basis for the Board's mandate are:

- to manage or supervise the management of the business and affairs of the Bank;
- to act honestly and in good faith with a view to the best interests of the Bank and exercise the care, diligence and skill that a reasonably prudent person would exercise in similar circumstances; and
- to comply with the Act, the regulations, the Bank's incorporating instrument and its by-laws.

The mandate of the Board also includes references to compliance with the Canada Deposit Insurance Corporation's ("CDIC") Standards of Sound Business and Financial Practices. The first reporting cycle under the revised Standards commenced in July 2002. An annual attestation on adherence to the modernized Standards (covering the broad areas of Corporate Governance, Strategic Management, Risk Management, Liquidity and Funding Management, Capital Management, Control Environment, Business Conduct and Process to Ensure Control) will be required.



The mandate of the Board also specifically includes other matters which are not necessarily stated in the Act or in the CDIC standards and they are summarized as follows:

- approve the annual statement and specified returns, prior to release to the public or submission to OSFI;
- review and approve the strategic plan, the annual business plan and accompanying capital plan and financial operating budget, including capital expenditures;
- declare dividends;
- outline the content and frequency of management reports on financial operations;
- review and ratify the employment, appointment, grade levels and compensation of the top five executive employees and approve all senior officer appointments;
- review succession plans;
- review any recommendations from regulators or shareholders' auditors respecting their assessment of the effectiveness of the internal controls that come to their attention in the conduct of their work;
- ensure an independent audit/inspection function is in place to monitor the effectiveness of organizational and procedural controls;
- review and accept reports from the Audit, Conduct Review and Corporate Governance & Human Resources Committees; and
- approve loan write-offs.

#### LOAN COMMITTEE

Members: Robert Manning (Chair)  
Jordan Golding  
Wendy Leaney  
Gerald McGavin  
Alan Rowe

This committee is comprised of five outside directors and its mandate is summarized as follows:

- review the annual statement and other required and related annual public documents and report thereon to the directors before approval is given;
- review such returns as OSFI may specify;
- require management to implement and maintain appropriate internal control procedures. Review, evaluate and approve those procedures;
- review such investments and transactions of the Bank, that could adversely affect the well-being of the Bank as the shareholders' auditors or any officer of the Bank may bring to the attention of the committee;

- meet with the shareholders' auditors to discuss the annual statements and the returns and transactions referred to within the mandate;
- meet with the Chief Inspector and management to discuss reports on internal audit activities and findings and the effectiveness of the internal control procedures established for the Bank. Review the mandate and annual plan of the internal audit department;
- review the quarterly reports to the shareholders, including the interim unaudited statements, and report thereon to the directors before approval is given;
- review a quarterly report from the Loans Committee of the Board, concerning the quality of the loan portfolio, the adequacy of the allowance for credit losses and accounts recommended for write-off;
- review a report on adherence to the CDIC Standards of Sound Business and Financial Practices annually and report thereon to the directors before approval is given;
- review the terms of the shareholders' auditors engagement, their level of compensation, the audit plan, any proposed changes in accounting policies, their presentation and input concerning significant risks and key estimates and judgements of management;
- review the independence of the shareholders' auditors;
- review correspondence received from regulators concerning the effectiveness of internal controls within the Bank or other matters falling within the responsibility of the Committee, including a review of the shareholders' auditors' management letter and OSFI's annual review letter and management's responses thereto;
- review the appointment of the Chief Financial Officer and the Chief Inspector;
- meet regularly with the internal and shareholders' auditors without management present;
- review and approve any proposed consulting or related work to be completed by the shareholders' auditors; and
- as the Committee sees as fit and proper, review other items or matters that may affect the well-being of the Bank.

## CONDUCT REVIEW COMMITTEE

Members: Albrecht Bellstedt (Chair)  
Charles Allard  
Allan Jackson  
Arnold Shell

This committee is comprised of four outside directors and its mandate is summarized as follows:

- establish procedures to ensure disclosure of transactions with specified related parties of the Bank and, further, to review any such transactions to ensure compliance with the Act, either approving or declining the transactions, as required;
- review and approve internal policies for credit arrangements and financial services available to employees of the Bank under the regulations concerning officers and associated parties;
- monitor aggregate transactions of the Bank with directors as well as officers and their interests to ensure continued compliance with the Act with excesses brought to the Board for consideration;
- review the conduct policy and any other specialized standards on an annual basis to ensure relevance and completeness in regard to legislative requirements;
- monitor procedures for conflicts of interest, confidential information, disclosure of information and handling of customer complaints, and be satisfied that the procedures are being adhered to;
- ensure every employee, officer and Board member agrees to comply, in writing, with annual acknowledgement, with the Bank's conduct policy; and
- after each meeting provide a report to the directors on all transactions and other matters reviewed by the committee.

## CORPORATE GOVERNANCE & HUMAN RESOURCES COMMITTEE

Members: Jack Donald (Chair)  
Albrecht Bellstedt  
Allan Jackson  
Robert Manning  
Robert Phillips  
Howard Pechet

This committee is comprised of six outside directors and its mandate is summarized as follows:

### Corporate Governance

- recommend to the Board appropriate structure and process required to address governance issues and maintain compliance with all corporate governance guidelines;
- review and monitor compliance with corporate governance guidelines and follow any issues noted by the members or as reported to them by management or other directors from time to time;
- no less than annually, report to the Board on corporate governance issues and any instances of non-compliance, together with appropriate recommendations; and
- hire appropriate consultants, or request management to perform studies and to furnish other information as required; to review such information and take such actions based thereon as appropriate.

### Executive Employees: Recruitment and Compensation

- review and recommend to the Board the employment and appointment of the top five executive employees, to establish their grade levels and compensation, as well as to determine promotions and to make changes in the level of compensation and grade of incumbent executive employees and officers;
- review the position descriptions for the top five executive employees, ensuring such descriptions remain current and appropriate and, further, to also ensure position descriptions are in place for all other executive officers;
- establish an executive compensation structure to compensate all levels of executive employees and, within such compensation structure as may at that time be in effect, to make adjustments and annual revisions as necessary;
- ensure an annual performance appraisal is completed for the CEO and that it is reviewed with him by the Chairman of the Board;



- establish, amend and, where appropriate, terminate:
  - all programs and other personal benefits granted to executive employees;
  - incentive compensation plans and other bonus arrangements, to administer such plans and to make appropriate interpretations and determinations as required;
  - share incentive plans and similar arrangements involving the grant of share options, or other benefits to employees attendant upon the issuance of securities, and, in addition, to make grants of options under any share incentive plan and generally to administer such plans, subject to necessary regulatory and shareholder approval; and
  - annuity, pension, and retirement programs for executive employees;
- review the human resource succession plan as prepared by senior management for all officers and any other senior position considered critical to operations; and
- review and report to the Board on compensation plans for senior management and other personnel in order to confirm they are consistent with the Bank's sustainable long-term objectives.

#### Board Composition and Development

- seek and recommend individuals to be considered for Board membership, as required by the Board, and forward their recommendations to the Board for its consideration;
- review, monitor, and make recommendations regarding new director orientation and the ongoing development of existing Board members;
- evaluate, at least bi-annually, Board membership (including composition and size) and the involvement/performance of the membership with concerns recorded, and brought to the attention of the committee chair, who, in conjunction with the committee, determines if further action is required;
- review and recommend to the Board the fees and other benefits to be paid to directors; and
- make recommendations to the Board regarding revisions or additions to the Board of Directors' Manual.

#### LOANS COMMITTEE

Members: Allan Jackson (Chair)  
 Charles Allard  
 Jack Donald  
 Wendy Leaney  
 Gerald McGavin  
 Howard Pechet  
 Robert Phillips  
 Larry Pollock  
 Arnold Shell

This committee is comprised of nine directors, eight of whom are unrelated. The CEO, who is an affiliated, inside director, is a member of this Committee. Its mandate is summarized as follows:

- establish and approve a lending limit for the Bank and the CEO within the limits established by the Board and review such limits at least annually;
- review, approve and/or decline all credit applications for amounts in excess of delegated limits up to the limit established, not to exceed ten percent of regulatory capital and for loans to a foreign country;
- recommend for approval of the full Board, any loan proposals in excess of the committee's limit;
- recommend, for approval of the full Board, loan proposals to directors (must be cash secured), related entities and Bank subsidiaries;
- annually review and approve the credit risk management program and policies, including management's real estate appraisal policies and procedures, to ensure they are sound, prudent and in accordance with CDIC standards;
- review/amend management's recommendations for loan loss provisions and loan write-offs and recommend acceptance to the Audit Committee for their presentation to the Board; and
- provide direction with respect to the identification criteria, procedure and action required on loans reported by management to be less than satisfactory.

## OTHER AREAS OF CONSIDERATION

The Bank has not adopted a formalized process of orientation for new Board members although all directors are provided with a Directors' Manual, outlining key governance information and reference material. It is worthy of note that seven of the twelve outside directors have served on the Board for thirteen years or more and there are only two directors that have served less than five years. There is also a Board and member review and assessment program whereby every second year, directors complete a formal assessment of the operations and effectiveness of the Board and its committees. Every second year, directors may also complete a formal assessment on individual directors' effectiveness. In the current year a formal assessment of the operations and effectiveness of the Board and its committees was undertaken.

In order to carry out its responsibilities the Board must have timely access to information which is available via discussions with the Bank's senior management and through a comprehensive information package sent out prior to each board meeting which includes the agenda, minutes of previous meetings and supporting documentation for specific agenda items. The Board has also put in place a policy providing for individual directors to engage outside advisors if the circumstances are warranted.

The Bank is also committed to ensuring quality and timely information is available to all shareholders. The Bank has adopted a corporate disclosure (communication) policy which is reviewed annually. Inquiries and requests for information from shareholders and potential investors receive prompt attention from an appropriate officer. The Bank's quarterly earnings conference calls with analysts and institutional investors are broadcast live, via the Internet, and archived on the Bank's web site for sixty days. The calls are also accessible on a live and recorded basis via telephone to interested retail investors, the media and members of the public. The Bank also includes all significant disclosure documents on the investor relations page of its web site at: [www.cwbank.com/investor\\_info](http://www.cwbank.com/investor_info). The CEO and other members of senior management also meet periodically with financial analysts and institutional investors.

The Bank has engaged an independent Ombudsman to receive complaints from banking clients who are unable to obtain satisfaction from the internal complaint handling process.

## CORPORATE GOVERNANCE

The Bank's corporate governance approach is in compliance with the TSX guidelines. It will continue to develop over time with the Corporate Governance & Human Resources Committee playing a key role in monitoring, developing and recommending to the Board on governance issues as warranted.



## EXECUTIVE OFFICERS

### Chairman

**Jack C. Donald**

### Independent Chair & Board Members

**Larry M. Pollock**  
President and  
Chief Executive Officer

**Allister J. McPherson**  
Executive Vice President

**Jack C. Wright**  
Vice President

### Chief Executive Officer

**Donald C. Kemp**  
Senior Vice President

**Chris H. Fowler**  
Senior Assistant Vice President

**Wally N. Streit**  
Senior Assistant Vice President

**Brad C. Crilly**  
Assistant Vice President

**Dennis M. Crough**  
Assistant Vice President,  
Industrial Credit

**Richard R. Gilpin**  
Assistant Vice President

**A. Wayne MacInnes**  
Assistant Vice President

### Executive Vice President

### Operations

**William J. Addington**  
Executive Vice President

**Erwin Granson**  
Assistant Vice President,  
Asset Management

**Richard N. Hallson**  
Assistant Vice President,  
Corporate Lending

### Treasury & Administration

**Ricki L. Moffat**  
Senior Assistant Vice President,  
Treasury and Agent Administration

**Michael Vos**  
Senior Assistant Vice President,  
Systems

**M. Wayne Bond**  
Assistant Vice President,  
Corporate Administration

**Roger J. Pogue**  
Assistant Vice President,  
Operations

### Finance

**Tracey C. Ball, C.A.**  
Senior Vice President and  
Chief Financial Officer

**Diane M. Davies, C.A.**  
Senior Assistant Vice President  
and Chief Accountant

**Carolyn J. Graham, C.A.**  
Assistant Vice President

### Investment Services

**Uve Knaak**  
Senior Assistant Vice President

### Industrial Credit

**David R. Gillespie**  
Vice President and Chief Inspector

**Blair R. Himmelreich**  
Assistant Vice President

### Marketing and Product Development

### Technology

**David R. Pogue**  
Vice President

**Peter K. Morrison**  
Assistant Vice President,  
Sales and Product Development

### Corporate Services

### Human Resources

**S. Wayne Bamford**  
Vice President  
and Regional Manager

**Michael N. Halliwell**  
Senior Assistant Vice President  
Main Branch, Calgary

**Gus W. Itzek**  
Senior Assistant Vice President,  
Energy Lending  
Main Branch, Calgary

**Robert H. Bean**  
Assistant Vice President,  
Winnipeg

**M.G. (Glen) Eastwood**  
Assistant Vice President  
Calgary Northeast

**J. Richard Ferris**  
Assistant Vice President  
Foothills Branch, Calgary

**Doug A. Finnie**  
Assistant Vice President  
Saskatoon

**Donald P. Grummett**  
Assistant Vice President  
Lethbridge

**Ken R. MacDonald**  
Assistant Vice President  
Regina

**Donald J. Odell**  
Assistant Vice President  
Red Deer

**Walter Schmidt**  
Assistant Vice President  
Winnipeg

**Al Steingart**  
Assistant Vice President  
Chinook Station, Calgary

### Executive Vice President

### Winnipeg & Surrounding Areas

**William A. Book**  
Vice President  
and Regional Manager

**L.W. (Les) Shore**  
Senior Assistant Vice President  
Main Branch, Edmonton

**Ken Arndt**  
Assistant Vice President  
South Edmonton Common

**Ron S. Baker**  
Assistant Vice President  
West Point, Edmonton



**Gary L. Comber**  
Assistant Vice President,  
Real Estate Lending  
Main Branch, Edmonton

**Roger J. Delveaux**  
Assistant Vice President  
Main Branch, Edmonton

**Wayne C. Dosman**  
Assistant Vice President  
South Edmonton Common

**Robert Inkpen**  
Assistant Vice President,  
Real Estate Lending  
Main Branch, Edmonton

**Heinz H. Kleist**  
Assistant Vice President  
Southside Branch, Edmonton

**Gary R. Mitchell**  
Assistant Vice President  
103rd Street, Edmonton

**Jake G. Muntain**  
Assistant Vice President  
103rd Street, Edmonton

**Garnett J. Way**  
Assistant Vice President,  
Real Estate Lending  
Main Branch, Edmonton

**COMMERCIAL BANKING  
BRITISH COLUMBIA REGION**

**Rod W. Sorbo**  
Vice President  
and Regional Manager

**Serge Biln**  
Senior Assistant Vice President  
Park Place, Vancouver

**Robert G.P. Berzins**  
Assistant Vice President  
Granville & 13th, Vancouver

**Russ M. Burke**  
Assistant Vice President  
Nanaimo

**Bob Duffield**  
Assistant Vice President  
Park Place, Vancouver

**Ian G. Graham**  
Assistant Vice President  
Kelowna

**Mark R.C. Ireton**  
Assistant Vice President  
Park Place, Vancouver

**Gerald W. Laliberte**  
Assistant Vice President  
Victoria

**Craig Martin**  
Assistant Vice President  
Langley

**Dave McCosh**  
Assistant Vice President  
Coquitlam

**REAL ESTATE LENDING  
VANCOUVER**

**Raymond L. Young**  
Vice President

**Robert E. Wigmore**  
Senior Assistant Vice President

**W. Bruce Gibbard**  
Assistant Vice President

**INDUSTRIAL LENDING  
AND LEASING**

**Donald C. Watson**  
Vice President

**James O. Burke**  
Senior Assistant Vice President  
and District Manager  
Foothills Branch, Calgary

**Dean G. Cudmore**  
Assistant Vice President  
Coquitlam

**Michael J. Docherty**  
Assistant Vice President  
Foothills Branch, Calgary

**James S. Kitchin**  
Assistant Vice President  
Kelowna Industrial Centre

**Taras D. Luciw**  
Assistant Vice President  
West Point, Edmonton

**Keith C. MacLellan**  
Assistant Vice President  
Grande Prairie

**David B. Subject**  
Assistant Vice President  
Nanaimo

**John Van Boeyen**  
Assistant Vice President  
Coquitlam

**CANADIAN WESTERN TRUST COMPANY  
VANCOUVER**

**Adrian M. Baker**  
Vice President  
and General Manager

**Mario V. Furlan**  
Assistant Vice President,  
Real Estate Lending

**Patrick F. Rennison**  
Assistant Vice President,  
Real Estate Lending

**OMBUDSMAN**

**R. Graham Gilbert**



## BOARD OF DIRECTORS

### CANADIAN WESTERN BANK & TRUST

**Charles R. Allard**  
President  
Rosedale Meadows Development Inc.  
Edmonton, Alberta

**Albrecht W. A. Bellstedt, Q.C.**  
Executive Vice President  
Law and General Counsel  
TransCanada PipeLines  
Calgary, Alberta

**Jack C. Donald**  
Board Chairman  
Parkland Properties Ltd.  
Red Deer, Alberta

**Jordan L. Golding**  
Corporate Director and Consultant  
Retired Partner  
KPMG  
Boston, Massachusetts, USA

**Allan W. Jackson**  
President  
ARCI Ltd.  
Calgary, Alberta

**Wendy A. Leaney**  
President  
Wyoming Associates Ltd.  
Toronto, Ontario

**Robert A. Manning**  
President  
Cathton Holdings Ltd.  
Edmonton, Alberta

**Gerald A.B. McGavin, F.C.A., C.M.**  
President  
McGavin Properties Inc.  
Vancouver, British Columbia

**Howard E. Pechet**  
President  
Mayfield Consulting Inc.  
La Jolla, California, USA

**Robert L. Phillips**  
Group President & CEO  
BCR Group of Companies  
North Vancouver, British Columbia

**Larry M. Pollock**  
President and Chief Executive Officer  
Canadian Western Bank & Trust  
Edmonton, Alberta

**Alan M. Rowe, C.A.**  
Senior Vice President,  
Chief Financial Officer and  
Corporate Secretary  
Crown Life Insurance Company  
Regina, Saskatchewan

**Arnold J. Shell**  
President  
Arnold J. Shell Consulting Inc.  
Calgary, Alberta

### DIRECTORS EMERITUS

John Goldberg  
Arthur G. Hiller  
Peter M.S. Longcroft  
Dr. Maurice W. Nicholson  
Alma M. McConnell  
Eugene I. Pechet  
Dr. Maurice M. Pechet  
Fred Sparrow

## SHAREHOLDER INFORMATION

### Canadian Western Bank & Trust

**Head Office**  
Suite 2300,  
Canadian Western Bank Place  
10303 Jasper Avenue  
Edmonton, Alberta T5J 3X6  
Telephone: (780) 423-8888  
Fax: (780) 423-8897  
Website: [www.cwbank.com](http://www.cwbank.com)

**Subsidiary Regional Office**  
Canadian Western Trust Company  
Suite 2200, 666 Burrard Street  
Vancouver, B.C. V6C 2X8  
Telephone: (604) 685-2081  
Fax: (604) 669-6069  
Website: [www.cwt.ca](http://www.cwt.ca)

**Stock Exchange Listing**  
The Toronto Stock Exchange  
Share Symbol: CWB  
Convertible Debenture Symbol:  
CWB.DB.A

**Transfer Agent and Registrar Mailing Address**  
Computershare Trust Company  
of Canada  
Suite 970, Canadian Western Bank Place  
10303 Jasper Avenue  
Edmonton, Alberta T5J 3N6  
Telephone: (780) 448-7598  
Fax: (780) 426-4032

**Corporate Secretary**  
Charles R. Allard  
Rosedale Meadows Development Inc.  
Edmonton, Alberta

**Inquiries From Shareholders**  
Any notification regarding change  
of address or change in registration  
of shares should be directed to the  
Transfer Agent. Any inquiries other  
than change of address or change in  
registration may be directed to the  
President and Chief Executive Officer.

**Annual Meeting**  
The annual meeting of the common  
shareholders of Canadian Western  
Bank will be held on March 6, 2003 at  
The Westin (Manitoba Room), 10135 -  
100th Street, Edmonton, Alberta at  
2:00 p.m. (MST).

**Investor Relations**  
For further financial information call  
Jon Kieran at  
Hume, Kieran Inc.  
Telephone: (416) 868-1079  
Fax: (416) 868-6198  
or visit our website at  
[www.cwbank.com/investor\\_info](http://www.cwbank.com/investor_info).



## BRANCH OFFICES

### ALBERTA

#### EDMONTON

**Edmonton Main**  
11350 Jasper Avenue  
Edmonton, Alberta T5K 0L8  
Telephone: (780) 424-4846  
Branch Manager - Les Shore

#### 103rd Street

Canadian Western Bank Place  
10303 Jasper Avenue  
Edmonton, Alberta T5J 3N6  
Telephone: (780) 423-8801  
Branch Manager -  
Jake Muntain

#### South Edmonton Common

2142 - 99 Street  
Edmonton, Alberta T6N 1L2  
Telephone: (780) 988-8607  
Branch Manager -  
Wayne Dosman

#### Southside

7933 - 104 Street  
Edmonton, Alberta T6E 4C9  
Telephone: (780) 433-4286  
Branch Manager - Heinz Kleist

#### West Point

17603 - 100 Avenue  
Edmonton, Alberta T5S 2M1  
Telephone: (780) 484-7407  
Branch Manager - Ron Baker

#### RSP Administration/

**Agent Processing Centre**  
Suite 2200, 10303 Jasper Avenue  
Edmonton, Alberta T5J 3X6  
Telephone: (780) 423-8888  
Branch Manager -  
Lina Langford

#### CALGARY

**Calgary Main**  
606 - 4th Street S.W.  
Calgary, Alberta T2P 1T1  
Telephone: (403) 262-8700  
Branch Manager -  
Michael Halliwell

#### Calgary Northeast

2810 - 32nd Avenue N.E.  
Calgary, Alberta T1Y 5J4  
Telephone: (403) 250-8838  
Branch Manager -  
Glen Eastwood

#### Chinook Station

6606 MacLeod Trail S.W.  
Calgary, Alberta T2H 0K6  
Telephone: (403) 252-2299  
Branch Manager - Al Steingart

#### Foothills

6127 Barlow Trail S.E.  
Calgary, Alberta T2C 4W8  
Telephone: (403) 269-9882  
Branch Manager - Rick Ferris

#### RED DEER

5013 - 49 Avenue  
Red Deer, Alberta T4N 3X1  
Telephone: (403) 341-4000  
Branch Manager - Don Odell

#### LETHBRIDGE

744 - 4th Avenue South  
Lethbridge, Alberta T1J 0N8  
Telephone: (403) 328-9199  
Branch Manager -  
Donald Grummett

#### GRANDE PRAIRIE

**Industrial Lending Centre**  
5th Floor, 214 Place  
9909 - 102 Street  
Grande Prairie, Alberta  
T8V 2V4  
Telephone: (780) 831-1888  
Branch Manager -  
Keith MacLellan

### BRITISH COLUMBIA

#### VANCOUVER

**Regional Office**  
22nd Floor, 666 Burrard Street  
Vancouver, B.C. V6C 2X8  
Telephone: (604) 669-0081  
Regional Manager - Rod Sorbo

#### Granville & 13th

2899 Granville Street  
Vancouver, B.C. V6H 3J4  
Telephone: (604) 730-8818  
Branch Manager - Rob Berzins

#### Park Place

666 Burrard Street  
Vancouver, B.C. V6C 2X8  
Telephone: (604) 688-8711  
Branch Manager - Serge Biln

#### RSP Administration/

**Agent Processing Centre**  
22nd Floor, 666 Burrard Street  
Vancouver, B.C. V6C 2X8  
Telephone: (604) 443-5175  
Toll free: 1-800-663-1000  
Branch Manager -  
Huguette Holmes

#### COQUITLAM

101 Schoolhouse Street  
Coquitlam, B.C. V3K 4X8  
Telephone: (604) 540-8829  
Branch Manager -  
David McCosh

#### COURTENAY

470 Puntledge Road  
Courtenay, B.C. V9N 3R1  
Telephone: (250) 334-8888  
Branch Manager - Alan Dafoe

#### KELOWNA

**Kelowna**  
1674 Bertram Street  
Kelowna, B.C. V1Y 9G4  
Telephone: (250) 862-8008  
Branch Manager - Ian Graham

#### Kelowna Industrial Centre

#101 - 1505 Harvey Avenue  
Kelowna, B.C. V1Y 6G1  
Telephone: (250) 860-0088  
Branch Manager -  
James Kitchen

#### Cranbrook Satellite Office

2009 - 5th Street South  
Cranbrook, B.C. V1C 1K6  
Telephone: (250) 426-1140  
Account Manager -  
Mike Eckersley

#### LANGLEY

19915 - 64th Avenue  
Langley, B.C. V2Y 1G9  
Telephone: (604) 539-5088  
Branch Manager - Craig Martin

#### NANAIMO

6475 Metral Drive  
Nanaimo, B.C. V9T 2L9  
Telephone: (250) 390-0088  
Branch Manager - Russ Burke

#### SURREY

Strawberry Hill  
7548 - 120 Street  
Surrey, B.C. V3W 3N1  
Telephone: (604) 591-1898  
Branch Manager -  
Richard Howard

#### VICTORIA

1201 Douglas Street  
Victoria, B.C. V8W 2E6  
Telephone: (250) 383-1206  
Branch Manager -  
Gerry Laliberte

### SASKATCHEWAN

#### REGINA

1881 Scarth Street  
McCallum Hill Centre II  
Regina, Saskatchewan  
S4P 4K9  
Telephone: (306) 757-8888  
Branch Manager -  
Ken MacDonald

#### SASKATOON

244 - 2nd Avenue S.  
Saskatoon, Saskatchewan  
S7K 1K9  
Telephone: (306) 477-8888  
Branch Manager - Doug Finnie

#### YORKTON

#45, 277 Broadway Street E.  
Yorkton, Saskatchewan  
S3N 3G7  
Telephone: (306) 782-1002  
Branch Manager - Barb Apps

### MANITOBA

#### WINNIPEG

234 Portage Avenue  
Winnipeg, Manitoba R3C 0B1  
Telephone: (204) 956-4669  
Branch Manager - Robert Bean

### CANADIAN WESTERN TRUST

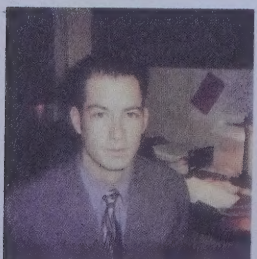
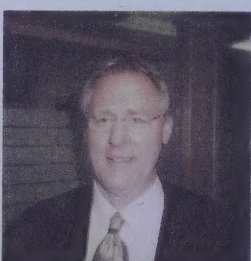
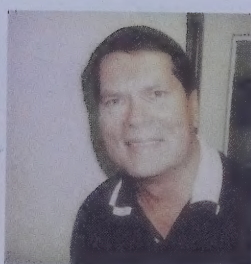
#### BRITISH COLUMBIA

Suite 2200, 666 Burrard Street  
Vancouver, B.C. V6C 2X8  
Telephone: (604) 685-2081  
Toll free: 1-800-663-1124

#### ALBERTA

2810 - 32nd Avenue N.E.  
Calgary, Alberta T1Y 5J4  
Telephone: (403) 291-5268  
Toll free: 1-888-894-2331





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